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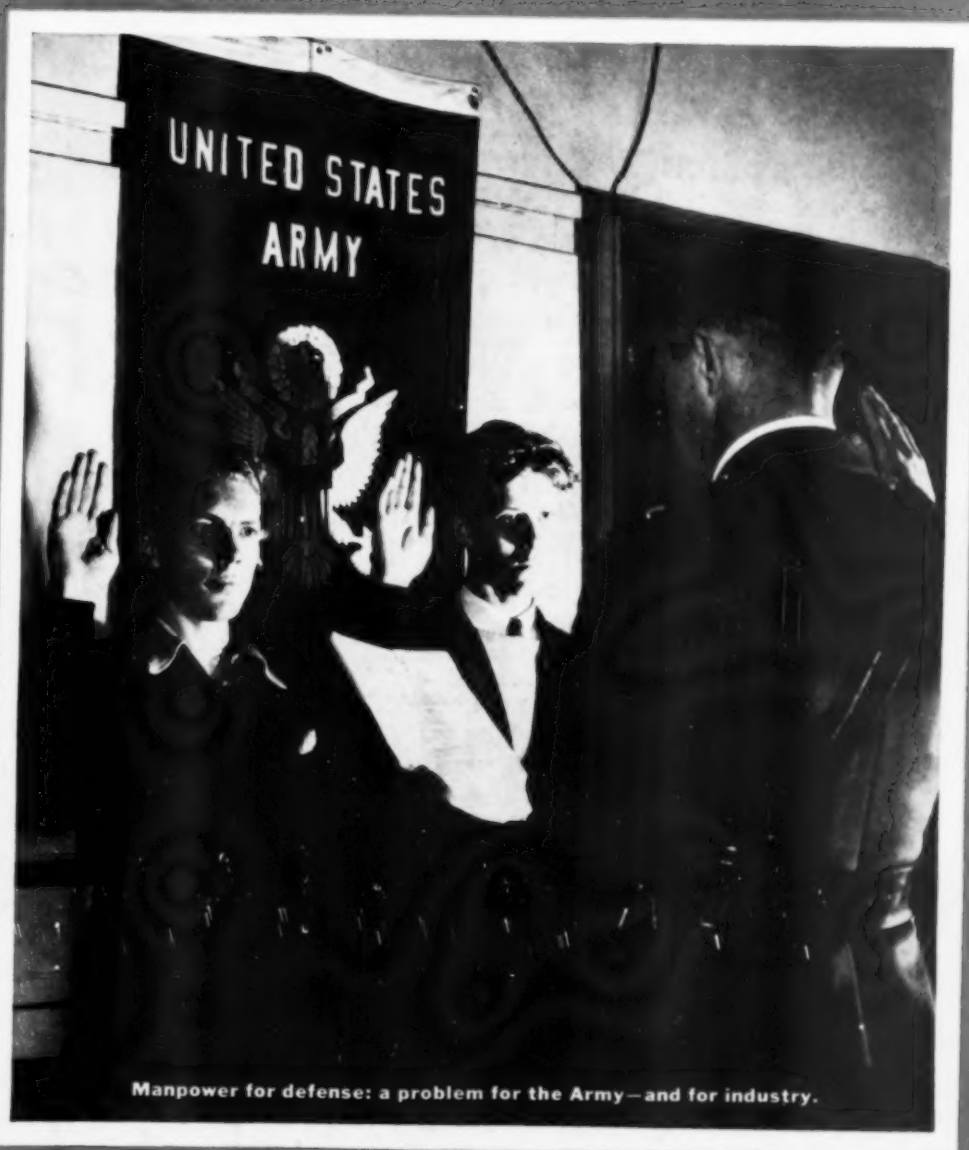
AUG 19 1940

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BUSINESS WEEK



Manpower for defense: a problem for the Army—and for industry.

BUSINESS
CATOR

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY, INC. • TWENTY CENTS A COPY

TEXROPE DRIVE "GOING STRONG!"

AFTER 10 YEARS ON THE JOB!

250-HP Texrope Drive Turns 60-Ton Tube Mill in Large Midwestern Quarry . . . Goes Ten Years Without Maintenance Costs! Find Out How YOU Can Cut Costs with the Equipment that Pays for Itself!

Crushing rock is no easy job! Because it's a low-priced commodity, rock pulverization has to be done at lowest possible cost . . . with equipment (especially transmission equipment) that has wide safety margins and extremely low maintenance!

At the Waukesha Lime & Stone Company, they have a 250-hp Texrope Drive on a 60-ton tube mill that has been giving rock-bottom transmission costs for over ten years!

Profit with Allis-Chalmers!

Now, after ten years, here's the story: — the same original seventeen belts on this Texrope Drive are still in use . . . still handling the torque strain of turning 60 tons from a dead stop. Not one cent has been spent on this mill for transmission maintenance in all that time. And C. G. Wolf, assistant

superintendent, states his Texrope Drive is "still going strong!"

This money-saving solution of a tough problem is typical of the way Allis-Chalmers equipment has been solving the needs of industry for over 90 years.

It will pay you to get the full Allis-Chalmers story . . . learn why it pays to use the "equipment that pays for itself."

For don't forget — in thousands of industrial plants throughout the country, Allis-Chalmers cooperative engineering and Allis-Chalmers equipment are solving difficult production problems . . . cutting production costs . . . making workers' jobs easier, safer.

Another true case history from the Allis-Chalmers files that proves "IT PAYS TO BUY THE EQUIPMENT THAT PAYS FOR ITSELF"



TEN YEARS ON THE JOB AND STILL good for a long time — that's the history of this 250-hp Texrope Drive. C. G. Wolf, assistant superintendent at Waukesha Lime & Stone Co., Waukesha, Wisconsin, examines the drive and reports — "Still going strong!"

There's a trained engineer in the Allis-Chalmers district office near you whose job it is to help you get greater power efficiencies at less cost. Call him . . . today!

A-1160-A

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

Plane-Auto Hookup

TWO BIG IDEAS, newly tested by the railroads, are being annexed by the airlines. When pending deals go through, you will be able to fly on credit. And a drive-yourself rental car will be waiting for you at the airport, if you want it. Air Transport Association is working out the details with Travelers Credit Corp. and Railway Extension—page 22.

Recalled to Life

HISTORIC CRAMP'S shipyard near Philadelphia gave up the ghost in 1927—but that apparently was not the end of its ways. With the Navy dangling a large slice of cruiser orders as an inducement, the 110-year-old concern may soon become very much alive. A sheriff's sale scheduled for Sept. 16 will not take place—page 17.

Men and a Railroad

THE VAN SWERINGENS are dead, but what happened to their railroad empire is a continuing story. Another chapter has just been added, with a federal court approving a compromise which—barring slips—will return working control of the rich C. & O. to Alleghany Corp., top holding company of the Van Sweringen setup—page 20.

Cost of a Card

WHAT A WORKER GETS in return for union membership is marketed for a price, often determined by highly competitive conditions. Differences between A.F.L. and C.I.O. initiation fees and dues are detailed and accounted for on page 34.

Trains and Tanks

MAKERS OF STREAMLINED TRAINS and Diesel-electric locomotives are spending the summer piling up bigger and better orders—page 23. Fifty tanks, trolley-car size, will be built by Baldwin Locomotive Works, Eddystone, Pa.—page 18.

Compensation Box Score

IF FIGURES FRIGHTEN you, don't turn to page 38. But if you want to know how much the states have paid out in unemployment compensation benefits, there it is—along with other pertinent data. The editorial—page 48—points the significance of the figures.

New Field for Unions

FIRST LABOR CONTRACT signed by a government agency has been concluded between Tennessee Valley Authority and 15 craft locals of the A.F.L. The unions forswear striking, and TVA Director Lilienthal says he "wouldn't trade this contract for one of our big dams"—page 37.

More Plant

BUICK AND PONTIAC UNITS of G.M. are expanding in anticipation of 1941 sales increases—page 26.

Keep in...Keep out



More than 25 million New Departure Self-Sealed Bearings have been used, because they . . .

KEEP IN
lubricant
endurance
accuracy

KEEP OUT
dirt
friction
wear

Also . . . they simplify machine design and reduce costs

NEW DEPARTURE SELF-SEALED BALL BEARINGS

Nothing Rolls Like a Ball



Write to Main Office, New Departure, Division of General Motors, Bristol, Connecticut for engineering consultation and booklet "SEALED" describing this important, cost-cutting New Departure invention.



Authorized automotive and industrial replacement bearing service, wherever you see the United Motors Service sign. Authentic records. Complete stocks. Prompt delivery.

WHAT EVERY EXECUTIVE SHOULD KNOW ABOUT FLUORESCENT LIGHTING

for Plant and Office



THIS FREE BOOK SHOWS HOW TO PROPERLY USE THIS NEW KIND OF LIGHTING!

Fluorescent Lighting is the modern, economical solution to many of the lighting problems in factory and office. It makes possible the use of **MORE LIGHT** at low cost . . . light with special characteristics that increase the speed and improve the ease of seeing.

As you've noted the ever-widening use of this new, cool, remarkably efficient and economical daylight lighting, you no doubt, like thousands of other executives, have this question in mind:

"HOW and WHERE can I use this Fluorescent Lighting to best advantage?"

The new **FLUORESCENT FACT BOOK** just published by Benjamin, the leading maker of fluorescent lighting equipment, gives you the answer to this important question as well as to many others, such as:

- ▶ What are the advantages of Fluorescent Lighting?
- ▶ How does this New Fluorescent Lighting improve Seeing Efficiency of Employees both in Plant and Office?
- ▶ What is Meant by **MORE LIGHT AT NO EXTRA COST**?
- ▶ Why is there more than one kind of Benjamin Fluorescent Lighting Fixture?
- ▶ Why is the type of fixture selected, and proper installation, so important?
- ▶ How Economical is Fluorescent Lighting?

HAVE YOUR SECRETARY OR ASSISTANT SEND FOR THIS BOOK TODAY

In this Manual, you'll find the necessary basic information to a complete understanding of this new lighting . . . complete listings of units . . . how to specify them to obtain lighting fitted to your exact requirements . . . the importance of having fluorescent lighting that conforms to basic principles of illumination . . . how to insure correct installation . . . etc., etc. To avoid disappointment, read this Fact Book before you buy. Address your letter of request to the Benjamin Electric Manufacturing Co., Dept. D, Des Plaines, Illinois.

BENJAMIN LIGHTING RECOMMENDATIONS bring you authoritative plans, the result of Benjamin's years of experience as the leader in industrial and utilitarian lighting. Write for details of this important Free Service.

BENJAMIN
LIGHTING EQUIPMENT
Distributed Exclusively Through Electrical Wholesalers

NEW BUSINESS

Laid End to End

THE ASSOCIATION of American Railroads, which has apparently got a lot of time hanging heavy on its hands, has figured out that if you took all the electric light bulbs used annually in Pullman cars, and placed them 10 feet apart, they would light a path 746 miles long, equivalent to lighted direct roadways from New York to Cincinnati, or Chicago to Atlanta—that if you took all the liquid soap bought annually by the Pullman Company, you could fill a swimming pool 40 ft. long, 30 ft. wide, and 8 ft. deep—and that if you took all the sheets used annually by the Pullman Company, and sewed them together, they would form a canopy that would more than cover the Capitol, the Congressional Library, the Supreme Court building, and the Union Station, in Washington, D. C.

And if you took all the publicity men who figure out these things, and sewed them together and dropped them in a lighted swimming pool full of liquid soap, it would serve them right.

Today's Feature

THE MOVING PICTURE publicity boys scored at least two points last week in the cat and mouse game they play with the newspapers—in which they try to see how much free publicity they can grab off by presenting their stuff to the papers as genuine news.

The fact that this kind of publicity rolls right past the general public without making the slightest impression doesn't seem to matter at all. The whole business must be classified by the moving picture publicity boys as an intramural sport.

Last week, for example, there was a newspaper account of a dinner at the Hotel Astor in New York where a young man was selected from among 13 finalists as the winner of a Perfect American Son contest. (Now playing at your neighborhood theater: "My Son, My Son!")

And there was a news item concerning a couple of truck drivers who won a race from San Francisco to Los Angeles and received, as a prize, a day with the Misses Ann Sheridan and Ida Lupino. (By some happy coincidence, Warner Bros. had just released a motion picture concerning wildcat truckers, called: "They Drive by Night," featuring none other than the Misses Ann Sheridan and Ida Lupino.)

Funny Business

THE CONSUMER contest business has already reached such proportions that it supports several trade magazines —

which tell about all the new contests getting under way, and how to tackle them—and has even inspired a gentleman to go into the business of selling box tops and wrappers, necessary for entering contests, at cut rates. Now there's a radio program devoted to contests.

On station WTIC, Hartford, Conn., every Wednesday at 1:15 p.m. there is a 15-minute program known as "How to Enter a Contest and Win." It's conducted by a Hartford lady, Mrs. A. Sherman Hitchcock, who ought to know what she's talking about because in the last four years she's collected 64 contest prizes.

Mrs. Hitchcock started from scratch in 1936, and sent in 30 words telling why she liked Swift's Brookfield butter. She copped first prize—a trip to Bermuda. When she told the Foss Candy Co. why she liked Cynthia Sweets, it got her an 11-day cruise to Nassau. She told Kellogg why she liked its Corn Flakes and got \$150 for it. She won \$100 from Procter & Gamble in an Oxydol contest, \$50 from Royal Crown Cola—as a matter of fact, she's collected over \$1,000 in cash in the last four years, as well as a mess of merchandise which includes everything from an imported blanket, courtesy of Chipso, to eight (8) Benrus watches from Borden's.

Mrs. Hitchcock's new radio program is a pretty crafty sales job all around. She gives the girls all the news of the national contests which are being run on WTIC. She tells them how to work on these contests—how to write 25 words on "why I like so-and-so," how to coin new words, why it's good to send in an entry every week, why it's bad to get discouraged, why you don't need to be smart to win, etc. She runs a Contest Club of the Air, enrolls her listeners, and whenever someone wins, presents her on the program as an example of You Can Do It Too.

Nobody loses on Mrs. Hitchcock's program. The girls are told how to make money and manufacturers are promised a ready audience if they include WTIC in their contest plans.

In only two months, Mrs. Hitchcock's Contest Club of the Air has produced three Connecticut contest winners—two women who each won a Pontiac, 1,000 gallons of gas, and \$100 vacation money in an Ivory Flakes contest, and another woman who got a 35-piece set of Rogers silverware in an Armour "Your Treat" contest.

Before you know it, they'll be asking for high school courses in how to win a contest. It's more than a pastime already; it's becoming an Industry.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—You can count on Roosevelt to capitalize on the British blitzkrieg in order to rouse the country to its "danger"—force a fighting spirit which will back up not only conscription and the general implementing of our material defense program with trained man-power but will also sanction more aid to Britain so as to give the U. S. time to get ready.

Weeks of softpedaling "entanglement"—or extra-legal aid to the British—will be abruptly terminated now that Wendell Willkie has shown that he is not going to make this a fighting issue.

Politically, as the Administration sees it, something must be done. Willkie's promise not to disturb farm benefits, charges of third-term "dictatorship," and the exposés of boss control in the big city machines are taking heavy toll of Roosevelt support, according to the polls. Hence, Roosevelt is likely to try to scare the country into a "don't swap horses" attitude.

Wheeler Aims at Roosevelt

ISOLATIONIST sentiment beyond the Alleghenies is rising. Willkie realizes this, but he himself believes this policy unsafe for the country. Despite Willkie's attitude, the real quarrel of the pacifist group is with Roosevelt. Sen. Wheeler hoped against hope that Willkie would come out against conscription, but his disappointment on this score won't mitigate his attacks on Roosevelt. Wheeler believes the swing of the pendulum will sweep the Democrats into office again in 1944, with perhaps the Montana senator as the standard-bearer. So despite lip service to the Democratic party, he views the possibility of Roosevelt's defeat with considerable fortitude.

Cabinet Campaign Shifts

LOUIS JOHNSON, Assistant Secretary of War recently benched by Roosevelt, will not be persuaded to accept a job as one of Roosevelt's administrative assistants. Some credence can be given to a persistent rumor that Johnson is gunning for Harry Hopkins' job as Secretary of Commerce, in case Harry resigns to do battle in the campaign.

Whether Secretary of Agriculture Wallace resigns or merely takes leave without pay during the campaign, Claude R. Wickard, present undersecretary, probably will be picked for the job. Marvin Jones of Texas, chairman of the House Agriculture Committee, is touted by the politically-minded, but the department heads prefer the veteran AAA man.

Plane Dam Broken

AGREEMENT by all major plane manufacturers to go ahead on the defense

production program without waiting for Congressional action on amortization of plant breaks up a blockade so tight that in seven weeks contracts had been let for only 33 airplanes.

The agreement is understood to cover only that part of the program which can be undertaken without new plant expansion. Manufacturers are proceeding on the basis of semi-formal assurances that if they don't get firm contracts before a certain date they will be reimbursed for out-of-pocket costs on tools and dies. The plans cover about 4,000 of the 8,000 planes for which appropriations have been made (19,000 more are in pending appropriations).

There are some exceptions to present

The Middle West Is Hungry



Senator Bennett Champ Clark of Missouri intends to see that his constituents—and those of all the other Congressmen from states between the Rockies and the Alleghenies—get fed. Ever since the President said defense plants should be located in that safety zone, Middle Western business men have been looking—pretty much in vain—both for new plants and big defense orders. Fortnight ago, they held an indignation meeting in Kansas City (BW—Aug 3'40,p16), but now they are likely to be placated, for Senator Clark reported "a very satisfactory" conference with Defense Advisory Commission officials this week.

hesitant procedure. North American has for weeks been building and storing trainers, without any definite order. And Douglas, which has been a leader of the group in the industry that wants to play ball with the Administration, this week announced plans to start immediately a \$2,000,000 plant expansion.

Spenders' Defense Theory

HOW TO PAY for defense in the long term is being studied—but not at the Treasury. Other fiscal agencies of the government have assigned crack economists—mostly of the spending school—to the problem. So far, there is substantial unanimity on the desirability of financing from income tax. Schedules are being studied which would be so high that, after about two more years of deficit financing, the taxes would not only pay for defense but would actually nick existing debt. Such plans, of course, involve the assumption that we won't get into an all-out war and that military expenditures will push national income well above the hundred billion level.

★Spenders' theory: The defense program can be used as the next best thing to a straightout spending program to raise the country's standard of living.

Pork Barrel Problem

LOWELL MELLETT, New Deal super press agent, has had one of his pet national-defense publicity projects backfire on him. Reports from Mellett's office informing individual Congressmen and Senators of national-defense contracts let in their districts have whetted appetites to such an extent that the boys on Capitol Hill have begun to regard such contracts as legitimate pork barrel.

This is the significance of the meeting held this week between 15 midwestern Senators and the Defense Commission. As a result, the Army, with some reluctance, is working on an appeasement program—trying bids based on f.o.b. plant, instead of f.o.b. Army dépôt, and asking for bids on smaller lots, so as to distribute the business more widely and give the little fellow a chance.

Trying to Keep Peace

ANOTHER POINT in the appeasement program may fit into the Army's plan of splitting the country into five self-sustaining "ordnance districts" (BW—Aug 10'40,p7). This involves making purchases of commodities only within the defense districts. However, Army men don't like the idea of having pork-seeking Congressmen and Senators in a position to gerrymander the defense districts.

With the tax and amortization programs pending on Capitol Hill, the Defense Commission is trying to keep peace

NEW ENGLAND POWER BUILDING HEATED EVENLY BY STEAM

Temperature Variation of Less
than 2° is Accomplished with
Webster Moderator System

OFFICES COMFORTABLY HEATED

Heating Installation Includes
Webster Traps and Valves
for 648 Radiators

STEAM PROVES ITS ECONOMY

Boston, Mass.—Steam heating comfort with a temperature variation of less than two degrees is provided in the New England Power Building by a centrally controlled Webster Moderator System.

Built in 1937, the 11-story New England Power Building is one of the most modern office buildings in New England. The building was designed by the well-known Boston architectural firm of Blackall, Clapp, Whittemore & Clark.

McClellan, Cousens & Barton, leading Boston firm of Engineers and Heating Contractors, designed and installed the Webster Moderator System.

Heating results have been satisfactory from the time the New England Power Building was first occupied. Desired temperatures are maintained in the numerous office suites by a throttling type of central control which automatically adjusts the rate of steam delivery with every change in outdoor weather conditions. Radiators are kept partially filled with steam during mild weather and fully heated only in coldest weather.

The economy of the Webster Moderator System is established by steam consumption figures for the year, June 1, 1938 to June 1, 1939. The total steam consumption for this period, including steam for hot water, was 6,614,000 lbs., or .046 lbs. of steam per degree day per square foot of radiation.

The heating installation included equipping 648 radiators with Webster Thermostatic Radiator Traps and Webster Radiator Supply Valves. There is a total of 24,393 square feet of installed direct radiation.

The New England Power Building is owned by The Dartmouth Corporation and heated by steam from the mains of the Boston Edison Co.



New England Power
Bldg., Boston, Mass.

LOW HEATING COST

GET THIS BOOK... Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Representatives in 65 principal U. S. Cities—Est. 1888

between Congressmen and the Army.

★Bludgeon: Despite the statement of the midwestern lawmakers that they would not try to tie up the tax bill in their determination to get more contracts for their states, this still remains a potent weapon.

String to Amortization

AMORTIZATION of defense plants over five years is sure to become law despite some opposition in the Senate. But a string may be attached to require that fully-amortized plants be maintained in standby condition, or at least not changed in character.

There's an inside row over this, in which the Defense Commission supports industry's position that after government contracts cease the owners may devote the property to commercial use. The Army and Navy hold that the plants should remain ready to handle any sudden renewal of defense orders.

Little opposition is expected to an Administration proposal to make the five-year plan retroactive to plants built since Jan. 1 instead of July 10, as originally proposed. This would grant manufacturers who expanded to meet Allied orders the same benefits as are provided for defense contractors.

Havana Aftermath

SOME of the better-informed government experts who have returned from the Havana conference are convinced that no solution of Western Hemispheric problems will be forthcoming for many years. One official said it will take "a generation or two."

Nevertheless they are working on plans to cushion the immediate shock of economic dislocation as well as endeavoring to formulate a long-term program. They are encouraged because the Latin Americans professed more interest in a long-term program envisioning broader exploitation of South American resources than in immediate palliatives to control chronic surpluses.

★Suspicious: Congress will grant \$500,000,000 more capital to the Export-Import bank but hedge use of the money with restrictions. Many Congressmen are irritated because the Administration can't or won't come clean regarding the particular purposes of the funds.

How to Seize Tools?

TITLE to machine tools consigned to foreign buyers but held on the docks for lack of an export license is being sought by the government in several ways.

The Army has asked Congress to empower the President to seize such tools, at whatever price he considers fair, and devote them to the nation's defense. At present, he may only forbid their export, he cannot seize them. Meanwhile, an effort is being made to achieve the same result by quiet negotiations

Arnold Backtracks

STRIVING MIGHTILY to establish his anti-trust policy as an arm of defense, Trust-Buster Thurman Arnold's unbridled tongue is hurting his cause. The Assistant Attorney General is diligently searching out possible bottlenecks (such as inter-locking patent controls with Germany) which restrain output or hold up prices.

Arnold recognizes that the single job of the defense commission and the Army and Navy is to get production but believes they should appreciate what he's trying to do so that the government won't have to pay through the nose. Now Arnold is very much distressed that the publicity which he has given to his job of policing business has put him in the position of appearing wantonly to interfere with the defense program, regardless of the substance of the charges.

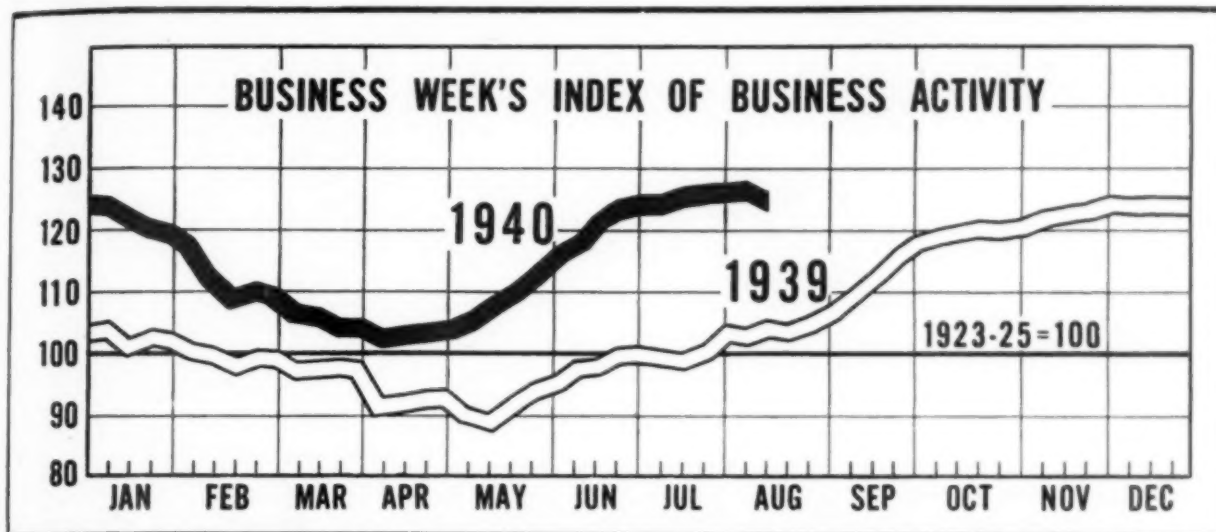
★Prospect: Look for Arnold to pipe down while a federal grand jury continues to sift such evidence as Department of Justice agents are able to present. Arnold's policy is expounded in his new book, "The Bottlenecks of Business" (Reynal & Hitchcock) to be published Sept. 6. In it, he disavows the old trust-busting philosophy, resents the sobriquet "Trust-Buster," insists he's not disturbed by bigness as such, provided that it is justified by savings and efficient service to consumers.

with foreign owners. It is hoped that the mere introduction of the bill will expedite negotiations.

P. S.

REMEMBER the Temporary National Economic Committee? It will interrupt a summer's doze to turn more heat on insurance companies. Ready for release next week is a report by SEC analyzing the insurance holdings of 2,000 families in Massachusetts. It won't be good advertising. . . . How much would you give for a stenographic transcript of what Wendell Willkie said to Elliott Roosevelt and what the President's son said to Willkie? Well, not half as much as F.D.R. would give for the same transcript. . . . WHEAT AND COTTON farmers are kicking because their government checks are late this year, to the acute embarrassment of the AAA. Previous delay in getting out contract forms is the reason. . . . INTERNAL reorganization of the U. S. Housing Authority has shorn Jacob Crane, assistant administrator, of a goodly portion of his power, will bring his resignation shortly.

THE FIGURES OF THE WEEK



	Latest Week	Preceding Week	Month Ago	8 Months Ago	Year Ago
THE INDEX.....	*126.6	†128.1	127.5	113.6	105.8
PRODUCTION					
Steel Ingot Operations (% of capacity).....	89.5	90.5	86.8	68.3	62.1
Automobile Production	11,635	17,373	65,176	95,985	24,875
Engineering Construction Awards (<i>Eng. News-Rec.</i> 4-week daily av. in thousands).....	\$10,989	\$16,220	\$14,580	\$8,327	\$9,371
Electric Power Output (million kilowatt-hours).....	2,589	2,605	2,483	2,523	2,333
Crude Oil (daily average, 1,000 bbls.).....	3,475	3,494	3,561	3,688	3,550
Bituminous Coal (daily average, 1,000 tons).....	1,379	1,355	1,442	1,698	1,230
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	72	71	75	67	68
All Other Carloadings (daily average, 1,000 cars).....	48	49	50	43	41
Check Payments (outside N. Y. City, millions).....	\$4,410	\$4,060	\$3,509	\$4,335	\$3,684
Money in Circulation (Wednesday series, millions).....	\$7,929	\$7,883	\$7,884	\$7,403	\$7,070
Department Store Sales (change from same week of preceding year).....	+5%	+5%	+7%	+9%	+9%
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	150.2	151.0	155.8	159.3	138.9
Iron and Steel Composite (<i>Steel</i> , ton).....	\$37.66	\$37.60	\$37.68	\$37.01	\$35.93
Scrap Steel Composite (<i>Iron Age</i> , ton).....	\$18.63	\$18.17	\$18.38	\$17.00	\$15.46
Copper (electrolytic, Connecticut Valley, lb.).....	10.750¢	11.052¢	10.823¢	11.250¢	10.500¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.70	\$0.71	\$0.70	\$0.98	\$0.63
Sugar (raw, delivered New York, lb.).....	2.65¢	2.64¢	2.69¢	2.81¢	2.81¢
Cotton (middling 1/8", ten designated markets, lb.).....	9.88¢	10.01¢	10.23¢	10.63¢	9.00¢
Wool Tops (New York, lb.).....	\$0.988	\$0.982	\$0.971	\$1.054	\$0.857
Rubber (ribbed smoked sheets, New York, lb.).....	19.62¢	19.82¢	20.95¢	19.14¢	18.57¢
FINANCE					
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.76%	4.75%	4.78%	4.83%	4.81%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.25%	2.24%	2.30%	2.32%	2.17%
U. S. Treasury 3-to-5 year Note Yield.....	0.59%	0.58%	0.56%	0.47%	0.43%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-5/8%	1/2-5/8%	1/2-5/8%	1/2-5/8%	1/2-5/8%
Business Failures (Dun & Bradstreet, number).....	252	271	261	251	252
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks.....	20,712	20,984	20,824	19,108	17,551
Total Loans and Investments, reporting member banks.....	24,101	23,978	23,683	23,199	22,274
Commercial and Agricultural Loans, reporting member banks.....	4,446	4,441	4,447	4,314	3,917
Securities Loans, reporting member banks.....	856	893	848	1,091	1,153
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	12,005	11,875	11,642	11,321	10,789
Other Securities Held, reporting member banks.....	3,604	3,586	3,580	3,371	3,329
Excess Reserves, all member banks (Wednesday series).....	6,330	6,510	6,833	5,523	4,533
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,471	2,484	2,491	2,518	2,462
STOCK MARKET (Average for the week)					
50 Industrials, Price Index (Standard Statistics).....	97.4	97.7	95.2	119.5	112.1
20 Railroads, Price Index (Standard Statistics).....	26.9	26.9	26.3	31.3	27.5
20 Utilities, Price Index (Standard Statistics).....	61.3	62.3	61.9	69.9	71.8
90 Stocks, Price Index (Standard Statistics).....	80.8	81.3	79.4	98.0	92.7
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	345	1284	319	782	637

*Preliminary, week ended August 10th. †Revised. § Date for "Latest Week" on each series on request.

Now **ONE** Insurance policy covers **MANY** Liability Hazards

AERICAN SURETY COMPANY and its affiliate, New York Casualty Company, now write a *single* insurance policy that covers many related liability hazards. The SCHEDULE LIABILITY POLICY—as it is called—protects against loss you may incur by being liable for bodily injury and property damage *caused by accident*. The types of liability are shown at the right.

Formerly this protection had to be obtained in many policies and policy endorsements. Now the SCHEDULE POLICY — *Today's Way of insuring liability caused by accident*—is a remarkable stride toward simplicity. It combines broader protection with greater service to policyholders. And the premium is no more than if you were to procure each coverage by the old method in separate contracts.

If you own or manage property . . . if you run a business . . . or if you are an advisor to people who do—ask our local agent, or your broker, about the SCHEDULE LIABILITY POLICY. He will give you further particulars about *Today's Way* of rounding up, in one contract, loose ends of liability exposure due to accident.

TODAY'S WAY COVERS MANY PHASES OF ACCIDENT-LIABILITY

PREMISES-OPERATIONS



ELEVATOR



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TEAMS



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August 17, 1940

THE BUSINESS OUTLOOK

Assault on Britain drops sentiment and the stock market, as the Business Index wavers in its upward course. But building spurt supports view that heavy industries are a cushion against sharp decline.

APPREHENSION lest Hitler's air force crush Britain's defenses and morale sent the stock market and sentiment lower in this country. But there was not the utter panic that followed the German drive into France. People in the United States have become steeled to the Nazi war machine; the idea that Germany might win is no longer foreign to their thinking. Indeed, the prevailing attitude is to expect the worst and hope for the best. For that reason, a breakdown in our markets hardly is a logical outcome of the Battle of Britain. A good deal of discounting has already taken place.

Cushion for Business

Moreover, domestic business has a new orientation. Whereas two months ago the war abroad dominated the American business man's attitude toward his production schedules and inventory policies, today national defense is the most important single force in our industrial life (*BW—Jun 22 '40, p13*). Government spending adds to consumer purchasing power and government orders add to corporation backlogs. The combination is such as to make a sharp drop in business hard to conceive. Unless the defense program collapses, it will provide a cushion for business for

months to come—though concededly a defeat for Britain, and the ensuing dislocation of orders and operating schedules, could result in a temporary break in the business curves.

Indeed, right now the business statistics are beginning to show some signs of fatigue, after their rapid rise since the beginning of April. This week, as an instance, the *BUSINESS WEEK* Index declined one and one-half points. Main factor was a decline in automobile production as more motor manufacturers finished up their 1940 assemblies. But the resulting hiatus before 1941 cars roll off assembly lines tends to over-emphasize the letdown in business, because there is not a corresponding drop in employment in auto plants. On the other hand, during the changeover period, automobile takings of steel are minimum. That in part explains this week's dip in the steel rate—the first drop since the July 4 holiday.

Steel Backlogs High

Steel has been due for stabilization around current high levels of 90% of capacity. Since June, 1939, iron and steel inventories have increased about 16% as both steel mills and consumers prepared against the possibility of de-

layed deliveries. All by itself, this performance might suggest a coming contraction in the steel operations, but new orders since February have been expanding month by month. In June, for instance, the Department of Commerce new order index for iron and steel products was 162.9, as compared with 89.5 in January, and 101.3 in June, 1939. Shipments have expanded correspondingly, but private information to *BUSINESS WEEK* indicates that steel backlogs are well up to recent highs. So incentive to curtail operations is lacking.

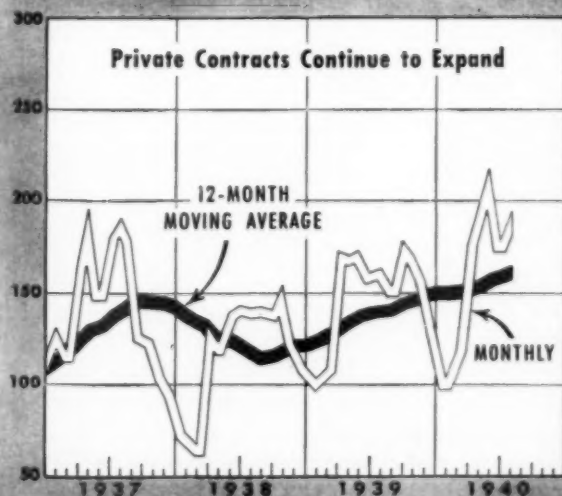
A Heavy Goods Recovery Still

The general tenor of the Department of Commerce indexes is of a piece for most durable goods lines—transportation, equipment, electrical machinery, and machinery in general. On the other hand, consumer goods inventories have not shown marked expansion. This confirms the diagnosis made so frequently in this department that demand for such products as textiles, shoes, and clothing has not kept pace with heavy goods. And it's still proper to call the present advance in business a "durable goods recovery."

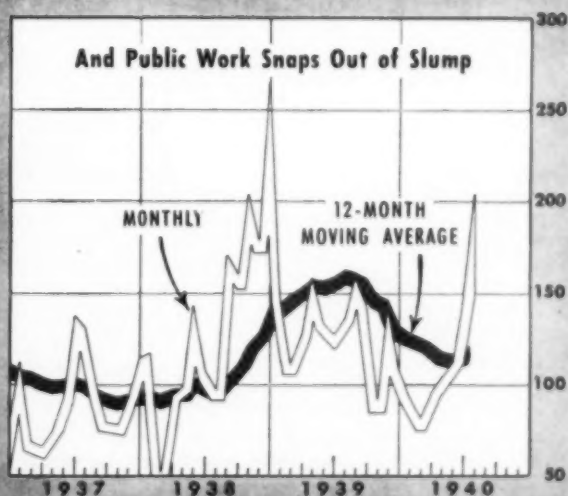
In time, the expansion of payrolls by the heavy goods industries will be translated into increased orders by retailers for consumer goods. For several months, merchandisers have been selling from stock, buying cautiously for replacements only. But this week the National Retail Dry Goods Association announced that an increase of about 7% in fall sales was

IN THE OUTLOOK—DEFENSE SPURS CONSTRUCTION

Private Contracts Continue to Expand



And Public Work Snaps Out of Slump



Stats. by F. W. Dodge, © copyright 1940.

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expected. This would suggest that some inventory building by retailers is in the offing.

In the meantime, building has definitely joined the ranks of steel and automobiles as a progenitor of industrial expansion. Thus the "big three" of the heavy industries are in there plugging away in unison. In July, building con-

tracts awarded approached \$400,000,000 or at a rate (disregarding seasonal influences) of \$4,800,000,000 a year. This is within range of the highest level on record—\$6,600,000,000 in 1928. Moreover, both industrial and commercial building were leaders—government construction being a major influence. Contracts awarded for factories, for instance,

had been running along at \$20,000,000 a month; in July they jumped to \$50,000,000. Commercial building—stores, garages, loft buildings, etc.—advanced from a monthly range of \$20,000,000 to \$25,000,000 to \$39,000,000. Moreover, residential operations also are on the rise, and assertions that war would freeze home-owner initiative seem to be belied.

The Regional Business Outlook



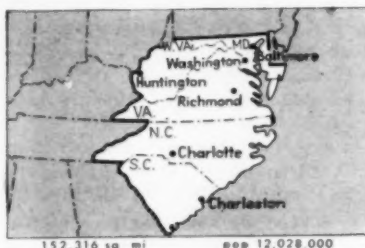
CLEVELAND—Steel continues to be the largest single source of employment and payrolls here; but business has far outrun the steel rate. Expansion in the metal-working industries—machine tools, forging plants, electrical equipment manufacturers, and airplanes—has created a demand for skilled labor which brings back World War days.

Manufacturers throughout this highly industrialized section are nervous. They fear competition for skilled workers and consequently rising wage scales. The Wright engine works near Cincinnati (*BW—Aug 10 '40, p 17*) would normally make employers happy, since it would stimulate business generally. But now manufacturers in the metal trades industries are concerned about its impact on their labor supply.

Defense Problems

To date, armament has not had a major effect on industrial activity, though plants have been getting ready for an ultimate peak in demand. Steel companies, for instance, have been rolling ingots at close to capacity, and they expect that if orders become more congested priorities will have to be established by the government.

Indeed, with automobile companies getting ready for a high rate of output during the fourth quarter, it is quite possible that deliveries of steel may have to be curtailed in some lines. For backlogs among most heavy-industry companies are near capacity—which means, of course, high purchasing power among workers, and therefore a high sales potential for manufacturers and distributors of both durable and non-durable consumer goods.



RICHMOND—Two factors—national defense orders in the northern half of this Reserve district and cotton and tobacco marketing in the southern half—dominate the outlook for income here.

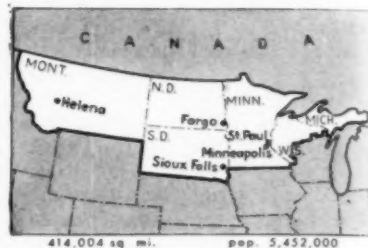
In the Hampton Roads, Va., area, Navy Department contracts have necessitated large scale expansion of power plants, shipyards and ways, and railroad shops and warehouses. In Maryland, steel, aircraft, and shipbuilding activity continues at peak levels, while in southern West Virginia, coal mining is well ahead of 1939.

Cotton Is Backward

In southern Virginia and the Carolinas, prospects for tobacco and cotton are brighter. Despite a poor export outlook, cotton prices are above 1939, partly because of the recently announced increase in the government loan. However, the crop is backward, and 1940 yield is uncertain.

Government support has helped tobacco quotations, too. With most auctions in this district opening next month, final returns are yet to be determined, but the price rise—together with crop control and parity payments—will help offset the curtailment in production (*BW—May 18 '40, p 14*). Still, farm income is likely to be off, especially in North Carolina where the prospective yield is down 47% from 1939.

Recovery in the textile industry has not been either sharp or broad, although schedules are a little higher. Along with the other consumer goods industries of the southern area—hosiery, tobacco, paper—cotton mill payrolls are apt to rise slowly over the next few months.



TWIN CITIES—They're harvesting spring wheat up here in Minnesota, the Dakotas, and Montana—but the killing that was hoped for early in the spring can now be written off. A break in the markets and bad weather brought both price and volume down to last year's stature (*BW—Jul 20 '40, p 14*); yet all chance of gain is not lost. Most of the grain will go into government loan; hence, if prices rise, farmers will reap the benefit.

Other prospects are more promising. Improved pastures in Minnesota and northern Wisconsin suggest a rise in dairy output over a year ago; moreover increased national demand—because of expanding payrolls—has drained cold-storage stocks. So prices in the next few months are expected to average higher than in 1939.

Hog Income Rises

This district's hog growers have had a break. Prices have risen above \$6, largely because of the sharp decrease in the country's pig crop, and general expectation of a drop in fall farrowings. But up here the decline in piglets is only nominal. So hog receipts ought to be up.

Industrially, iron and copper mining—as in recent months—are the bright spots. Most other lines are running along a little above 1939—flour milling, meat packing, lumbering, and the tourist trade; and urban relief loads are down.

One of the reasons is that earlier in the year, agricultural income ran considerably ahead of a year ago, and farmers were rather liberal spenders. Since the large cities in this district serve as distribution centers, the spending helped to spur employment in wholesale and retail houses.

Johnny Gets His Gun, Keeps Job

Conscription bill says so, but details bother Congress, and public opinion will be main force behind re-employment. Act may authorize court appeal.

WASHINGTON (Business Week Bureau)—When Johnny gets his gun, Johnny's boss and the boss's business will rock along much the same as they do now. The Johnny who goes to camp will be a young rooster somewhere between 21 and 31 years old. When Johnny comes marching home after a year's training the boss is supposed to put him back on the job without raising a fuss. That, at least, is a provision of the conscription bill which just now has the country by the ears.

There are about 12,000,000 Johnnies from 21 to 30 years of age inclusive. Of this number 4,000,000 to 4,500,000 are expected to qualify as being physically fit, having no dependents, and having no key job to keep them at home. Assuming that Congress passes the conscription bill in the next two or three weeks, 400,000 Johnnies will be called for a year's training during the quarter beginning Oct. 1. Starting in April another 400,000 will be called—making a total of 800,000 or 1 in 15 out of the 12,000,000 who were required to register in the first instance. Six hundred thousand more may be called in October, 1941. The reason for the step-up then is that about 200,000 National Guardsmen—many of

whom are in camp now—also will be called this fall and will be heading home in October, 1941, unless there's a war.

Object of selective service is to protect industry while getting men. The Army and Navy are opposed to relying on voluntary enlistment, even if it proved to be effective, because they say it's likely to pull skilled workers from important jobs and because it breeds a war psychology calling upon the individual to make a decision of which he should be relieved.

Local Boards to Run Draft

The conscription system will start in low gear. It has been continuously studied since 1926 by a Joint Army and Navy Selective Service Committee, of which Major Lewis B. Hershey is executive director. When established by Congress, the draft organization will be headed by a director of selective service. In the states, each governor will have an executive staff and will nominate for appointment by the President the members of local boards to pass on exemptions.

Election machinery will be used for registration. On an announced date, each man within the age range will report to his own voting precinct. When the regis-

trants' cards are shuffled and numbered by the local boards, the numbers will be reported to state headquarters and, in turn, to Washington. At headquarters in Washington, numbers will be drawn by lot up to the highest total reported by any one draft board, thus determining the sequence of call in each local district. Questionnaires then will be sent out by the local board to registrants at the rate of about 30 a day and exemptions will be determined on the basis of this questionnaire and personal interview, followed by a physical examination.

Individual Exemptions Only

The conscription law will require that exemption be determined by the status of the individual and not by occupational groups. One reason for this is the recollection of the scandal that surrounded blanket exemption of so-called shipyard workers in the last war. The law will permit the draft boards "to defer training and service of those men whose employment in industry, agriculture or other occupations or employment is found to be necessary to the maintenance of the national health, safety, or interest."

To guide boards in determining who is necessary to an industry, a list of industries and skills where defense orders are expected to develop a shortage will be furnished. Draft boards also will check with employers in their districts regarding government contracts in hand.

Unless an employer's circumstances have so changed as to make it impossible or unreasonable, he will be expected to restore an employee, at the end of his period of service, to the same job or a

A Difference of Opinion on Taxes



The House Ways and Means Committee—those serious-looking men on the dais—sat up and took notice this week when the National Association of Manufacturers and the U. S. Chamber of Commerce differed on tax

recommendations. Said the N.A.M.: Apply the excess profits levy to this year's earnings. Said the C. of C.: Put it off to 1941. Since the Treasury wants to collect soon, the N.A.M. will undoubtedly have its way.

Wide World

Plans the Draft



U. S. Army Signal Corps

Until compulsory military training becomes law, it is the responsibility of Major Lewis B. Hershey and the Joint Army and Navy Selective Service Committee of which he is chairman to see that actual draft plans are ready to be used the day that the President signs a bill authorizing compulsory training.

comparable one without loss of seniority, benefits, or insurance participation. Failure to do so will be deemed an unfair labor practice under the Wagner Act.

The employee must present himself for re-employment within 40 days after his release. This re-employment provision is not regarded as wholly satisfactory but is defended by officers as the best that could be worked out. It is intended primarily to put the force of public opinion behind re-employment of the draftees. In line with the House Military Affairs Committee's action this week on the National Guard mobilization bill, Congress may detour the Wagner Act and provide direct appeal to federal courts by those refused re-employment.

The Bill As It Stands

Provisions of the conscription bill, introduced by Chairman May of the House Military Affairs Committee, include:

(1) No eviction or distress shall be made during the period of military service in respect to any premises for which the agreed rent does not exceed \$80 per month, where the dwelling was occupied by wife, children, or other dependents of a person in military service, except on leave of court, which could consider the tenant's ability to pay.

(2) No person who has received a deposit on a contract for purchase of real or personal property from a person who subsequently enters military service can

rescind or terminate the contract or resume possession of the property for non-payment of instalments during the military service period.

(3) Insurance policy holders may apply for relief under regulations of the Veterans' Administration. No policy which has not lapsed for non-payment of premium before the period of military service shall lapse or be forfeited for non-payment of premium during such service or for one year afterward.

(4) When a person shall file with the tax collector an affidavit showing that taxes or assessments are unpaid, and that because of military service the ability to pay is materially affected, no sale of such property shall be made.

Voluntary Priorities

Defense Commission sets up system of industrial cooperation to fill U. S. orders on time.

THERE is "no present need to invoke legal authority to enforce priorities on government defense orders." Such is the conclusion of the National Defense Advisory Commission, announced this week after an extended survey of the flow of defense orders through American factories.

Hence, for the time being, a system of compulsory preferences on government contracts or on private contracts vital to the production of defense goods will not be instituted. Nevertheless, there will be priorities, and the fact that they will be voluntary will not lessen their importance to manufacturers anxious to cooperate in defense efforts and to assure a continuance of military contracts.

Just how the system of voluntary priorities will operate is clearly outlined in the communication which the commission addressed this week to Assistant Secretary of War Patterson and Assistant Secretary of the Navy Compton, co-chairmen of the Army & Navy Munitions Board, requesting that they formalize the preferences which have been worked out since the Board first instituted informal priorities (BW—Aug. 3, 40, p. 7).

The significant portion of this communication follows:

Continuance of the proposed voluntary system depends on complete voluntary cooperation of government and industry to assure completion of contracts on specified delivery dates and in accordance with the order of importance established by the strategic needs of the Army and Navy. The Commission favors continuance of the voluntary system until it appears that more authoritative measures are required.

Briefly, the system of preference classification will operate as follows: As far as may be considered necessary, each contract placed with private industry, or each order assigned to arsenals or navy yards, will bear a preference classification determined and assigned under direction of the Army and Navy Munitions Board.

General preference classifications to be

employed are: Class AA, reserved for future emergencies of exceptional nature, and Class A, consisting of such Army and Navy orders as require preferred treatment. Each of the above general classifications will in turn be subdivided as far as may be necessary.

In addition to the preference classification each government contract or order will also carry a desired date of delivery, which date is the primary consideration.

Details Left to Industry

A high preference rating does not mean that work on or delivery of orders bearing a lower classification or orders for private account or for export should be delayed, unless necessary to meet the delivery date on the order bearing a superior preference rating. As long as the delivery dates are met, details of adjustment will be left primarily to industry itself. It was stated that the Army and Navy, and the Defense Commission will, of course, be ready to assist in such adjustment.

There is little likelihood of shortages in most important materials and equipment used for the munitions program. It was expected that normally supplies would be obtainable through regular purchasing channels and that in most cases the contractor would experience little difficulty in obtaining his requirements from subcontractors and other suppliers.

In cases where supplies may prove to be somewhat less readily available, it was believed that in many instances the contractor will himself be able to make arrangements with his suppliers to fill orders on the scheduled date by calling attention to the preference rating on his contract and the deadline which he has to meet.

If a problem should become acute and the contractor becomes convinced that supplies will not flow to him at the required time, he should refer the case to the Army and Navy Munitions Board. In cases where the Board is unable to adjust the problem, it will be immediately referred to the Coordinator of National Defense Purchases, who will then take such action as he may deem advisable in the particular instance, including invoking the assistance of staff members of the Advisory Commission to the Council of National Defense, industry groups, or other agencies.

No Penalty Clauses

It should be noted, in addition, that contracts specifying a delivery date will not include a penalty clause, for this is not regarded as compatible with a voluntary system of preference classification. Where a contractor desires to accept a contract with a preference rating that might interfere with delivery on an existing contract that does impose a penalty for non-delivery by a certain date, the contractor should bring the matter to the attention of the commission. Litigation dating back to the last war has established the precedent that where a producer has one contract that carries a penalty clause and is instructed to give priority to a second contract that interferes with the first, he is not liable for liquidated damages.

The Sea Calls Cramp's Again

Historic Philadelphia shipyard, opened in 1830, closed in 1927, may get started on new century of naval building as America once more crowds the ways.

IN 1830 WILLIAM CRAMP, son of a German immigrant whose family name was changed from Krampf, laid the keel of a tiny wooden craft. This venture in shipbuilding was started on the Delaware River edge of the old Hope farm at Kensington, Pa.

At first the new yard was only one of many lining the "Clyde of America" just above Philadelphia. But William Cramp had begun a business which was to become one of the famous names in American shipbuilding. In a little less than a century the yard turned out everything from barges to battleships—524 craft in all. With the coming of steam navigation, Cramp's grew while many other yards on the Delaware failed and closed. Fat Civil War profits boomed the business, and in 1872, with old William Cramp's five sons brought into the enterprise, it was incorporated as William Cramp & Sons Ship and Engine Building Co. For the Navy and for the merchant companies they built, adding to their fame in the war with Spain and again in the World War. Then came the shipbuilding depression of the 1920's and Cramp's, which had expanded until it had eight ways, finally gave up in 1927. Since then it has been gathering tax liens and its ways have rotted and fouled with silt.

Now the government wants shipbuilding capacity for national defense. Cramp's yards can be refitted and re-equipped. The Navy is dangling anywhere from \$70,000,000 to \$120,000,000 in cruiser orders before the Harriman interests which bought control in 1913. Tax liens, which looked like insurmountable obstacles to reopening, have been ironed out (providing legality, already challenged by a taxpayer, can be established).

Council Cuts Claims

Joseph P. Ripley, president of the investment banking house of Harriman Ripley & Co., Inc., has virtually commuted from New York to Philadelphia for weeks pressing for a tax settlement on behalf of W. Averell Harriman and other members of the family. He had succeeded in getting a Navy lien on the yard scaled down from \$1,000,000 to \$100,000. Reopening was put up squarely to the Philadelphia City Council and the city fathers agreed to take \$100,000 on their claim of \$1,300,000. About \$50,000 in current taxes also must be paid.

Thus Cramp's escapes a sheriff's sale which had been scheduled for Sept. 16. The plan is to trustee the Harriman's mortgage on the property and to raise

new money for equipment and repairs. Then, if all works out as the Navy hopes, the yard will come back to the glory it knew in its first 90 years.

When Cramp took his sons into the business he already was famous for naval craft. He had built the first steam frigate, the New Ironsides. His yard had turned out the monitors Yazoo and Tunis, and the double-end gunboat Wyalusing (a vessel which the naval architects at first pooh-poohed). And from warships for Uncle Sam he went on to build warships for foreign nations.

Harriman Group Buys Interest

William Cramp died in 1879, and his son Charles became the president. In 1900 the company bought an even older competitor, the I. P. Morris Co. Other companies were consolidated and, even though the presidency passed out of the family to Henry S. Grove in 1903, the Cramps still owned the business.

Staid Philadelphia was treated to a major sensation when it was learned that on June 11, 1915, control of the company had passed to other hands. In a private sale 7,000 shares had gone to an undisclosed buyer. Rumors grew, and suddenly it became a World War newspaper story that the purchaser was none other than the German government. Officials vehemently denied this, but steadfastly refused to name the buyer.

Later it was revealed that the Harriman group had bought an 85% interest. The company was tied into a holding unit known as Cramp-Morris Industrials, Inc., and this concern was controlled in turn by the Harriman-owned American Ship & Commerce Co.

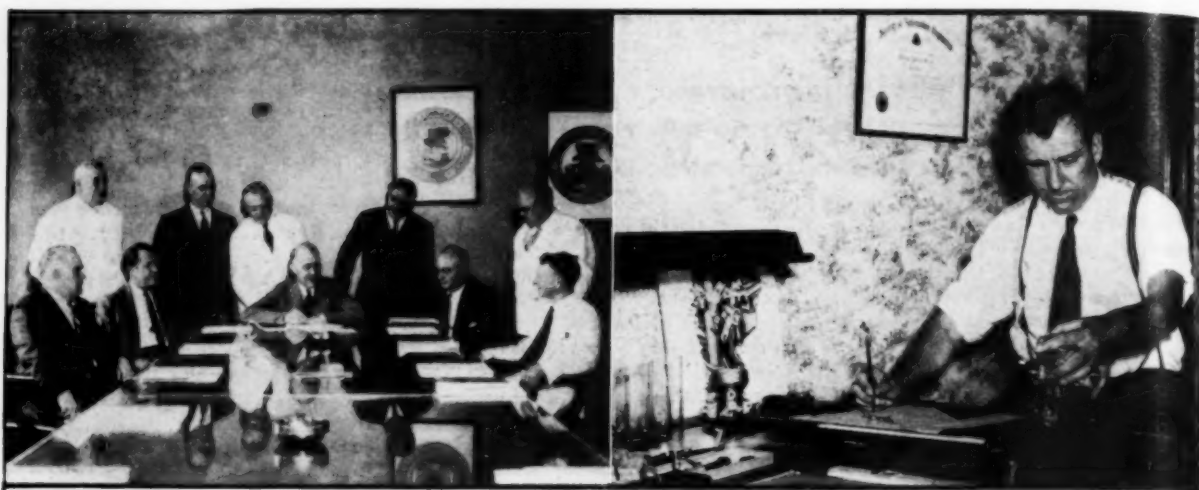
Thereafter the yard went on to add to



One hundred and ten years old, Cramp's shipyard near Philadelphia has seen the launching of some of this country's most famous ships—monitors for the Civil War, the flagship of Admiral Sampson's fleet in the battle of Santiago, dreadnaughts for the World War. But Cramp's gave up in the shipbuilding depression of

the 1920's and now its ways are fouled with refuse and its shops littered. Nevertheless, it can be re-equipped and the Navy eyes its eight ways with great interest. From \$70,000,000 to \$120,000,000 in cruiser orders are waiting if the yard can be reopened. And the big problem—back taxes—seems now to have been solved.

Making Ideas Work



THE NATIONAL INVENTORS COUNCIL of the Department of Commerce (left)—composed of inventors, scientists, and industrialists—held its first meeting last week to start work on the job of interviewing “idea men” and inventors about proposals which might be adapted to national defense. Chairman of the Council is Dr. Charles F. Kettering, president of General Motors Research Corp. (seated in center). Typical of the men the Council will interview is Robert J.

Fish (right), of Springfield, Mass., who lists among his inventions: (1) a new type of carburetor for use in gasoline engines which he says does not “freeze up” at high altitudes; and (2) a revolutionary torpedo for use in combating enemy ships and airplanes. The torpedo, Fish explains, is released into the air or the water, where—by simply following sound waves—it catches up with airplanes or boats and explodes on hitting its target.

Harris & Ewing

the list of its many well-known ships. Cramp's had built many of the vessels in Admiral Sampson's famous White Squadron of the Spanish-American War, including the New York, which was the flagship at the battle of Santiago. It had built six vessels for the Russians, and the torpedoing of one of these—the battleship *Variag*—helped to usher in the Russo-Japanese war. Cramp's had turned out the first American dreadnaught, the *South Carolina*, and then the *Wyoming* in 1912. It also built the battleships *Indiana* and *Massachusetts*. The collier *Cyclops*, which provided one of the most famous of all sea mysteries when it disappeared without a trace in the World War, also came from the Cramp yards. So did many of the World War transports—the *Great Northern*, *Northern Pacific*, *Siboney*, *Orizaba*, and *Santa Teresa*. One war contract, for 15 destroyers, involved \$19,000,000.

Plenty of Business Ahead

But the last 13 years have been a far cry from those busy days. When the yard closed in 1927 six subsidiaries continued to operate: De La Vergne Machine Co., I. P. Morris Corp., Pelton Water Wheel Co., Federal Steel Foundry Co., Cramp's Brass & Iron Foundry Co., and Cramp Engine Manufacturing Co. All had been segregated the year before. Ironically, the only activity in the yard itself since 1927 has been the launching of a 30-foot cabin cruiser in April, 1939. It had been built in a nearby lumber yard by an apartment dweller, trucked

to Cramp's, and hoisted on one of the company's big cranes into a wet basin.

Cramp's, if it resumes operations, isn't likely to get orders for the Navy's largest vessels. Although the Delaware channel is 1,000 feet wide at the foot of the ways, it is only 35 feet deep and the big battle wagons draw at least 40 feet. But there's going to be plenty of other defense business for a shipyard that can take it.

Tanks by Baldwin

Locomotive Works gets an order for 50 which will weigh between 70 and 80 tons each.

WHEN HITLER first scared the country into backing the Roosevelt rearmament drive, our strategists talked of light, fast equipment. The tune has since changed. Plans now call for heavier and heavier units in tanks, bombers, and about every other military item that rolls, crawls, or shoots.

Originally the U. S. wasn't supposed to need any of the biggest-size tanks. These were all right for cracking Maginot Lines but we wouldn't have any such fortifications to crack. It has since been discovered that it takes a big tank to do in a big tank and so—

It was announced last week that the Baldwin Locomotive Works, Eddystone, Pa., would build 50 big tanks costing \$3,689,725. British and French military experts are helping with the plans. While details are guarded, it is known that the

tanks will weigh between 70 and 80 tons (the German big ones weigh 70 tons), will mount 75 millimetre cannon (the smallest weapon that will stop Hitler's big 'uns), will be about 46 ft. long (the size of a trolley car). It is reported that the National Defense Commission has arranged to finance the cost of adapting Baldwin machines to the job and of developing new machines. Revised plans call for 400 tanks of this size.

The trend toward bigness also is evident in the new artillery “prime mover” to be seen in current Army maneuvers. This is a motor tractor that can tow an 8,500-lb. howitzer at 40 to 50 miles an hour, yank it up 40 degree slopes, span trenches, push over trees. The machine is manufactured by the Minneapolis-Moline Power Implement Co.

Metal Pile Growing

Government's Reserves Co. to get 240,000 tons of concentrated manganese from Anaconda.

WASHINGTON is slowly building up its stock piles of strategic materials.

Biggest news of the week in this line is the announcement that Anaconda Copper Mining Co. has contracted to supply the government-owned Metal Reserves Co. with 240,000 tons of concentrated manganese over the next three years from its properties in Montana. The contract price is not announced but authorities in the trade declare that no

Imagine! Getting paid to operate that new MODEL M CUSHIONED-TOUCH COMPTOMETER



SOFT as a cushion—quick as a flash—is the key-stroke of the new Model M Cushioned-Touch Comptometer! Small wonder operators are so enthusiastic about this newest model Comptometer!



QUIET as a rabbit in the snow! The mechanism of the new Model M Comptometer "floats" on shock-absorbing rubber mountings inside the case. Reduced noise means less fatigue, greater production.

NEW FEATURES OF THE MODEL M CUSHIONED-TOUCH COMPTOMETER

For faster, easier operation:

- Lighter key-stroke
- Flexible keyboard
- One-hand subtraction
- Improved decimal pointers

For greater quiet:

- Mechanism floated in rubber
- Scientific sound-proofing

For improved appearance:

- Cancelling lever built inside case
- New color and modern, simplified lines to harmonize with modern office interiors

For minimized eye-strain:

- No-glare answer dials
- Larger, more legible answer numerals
- Restful grey-green color

MANY of the improvements incorporated in the new Model M Comptometer (such as no-glare answer dials and scientific soundproofing) will be fully appreciated only by those who operate it.

Yet because these fatigue-reducing improvements will result in *more figure work handled in less time at lower cost*, they will give the familiar phrase, "*Comptometer Economy*," an even sweeter ring to executive ears!

And back of all the new features of this Cushioned-Touch Comptometer are the fundamental Comptometer advantages: remarkable speed, Controlled-Key accuracy, adaptability and sturdy construction.

For a demonstration of the new Model M Comptometer (in your own office, on your own figure work), telephone your local Comptometer office—or write to Felt & Tarrant Mfg. Co., 1733 N. Paulina Street, Chicago, Ill.



COMPTOMETER

REG. U. S. PAT. OFF.

United States manganese reserves are of sufficiently high quality to be worked economically until the price is above 45-50¢ a unit.

Anaconda produced manganese in Montana during the last World War when normal imports from Russia, the African Gold Coast, and India were cut off. The company will spend \$1,500,000 enlarging and modernizing old concentrator plants so as to handle 100,000 tons of concentrates a year.

Manganese production in this country averaged only 2,200 tons a month in 1939, had been boosted to only 2,600 tons by June of this year. The country consumes from 400,000 to 900,000 tons a year, depending on the activity in the steel industry, where it is used as a hardening and toughening material. Last year more than 625,000 tons were imported: 242,923 tons from the African Gold Coast (British), 135,243 from Russia, 105,935 from Cuba, and 42,713 from Brazil.

Supplements Other Deals

The manganese deal is the fourth major move by Washington's Metal Reserves Co. to build emergency stocks of strategic metals in this country. The first was the contract for 75,000 tons of tin from the Far East, about 3,000 tons of which have already arrived in this country. Little is known about the second deal—to acquire antimony and tungsten in China—except that it was apparently stalled when Britain yielded to Japan's request to close the Burma road over which it was to be hauled to the seaboard. More than 150,000 tons of manganese ore were ordered for reserves some months ago in various foreign markets. The Anaconda deal supplements this by utilizing low grade home supplies to meet an emergency.

Rumors that the U.S. is responsible for the building of a railroad to tap Brazil's fabulously rich manganese deposits are not confirmed. Authorities believe this plan, if developed, will be one of the projects for inter-American economic co-operation which will be pushed soon.

New Wheat Offered

MARMIN, a new wheat obtained from crossing Minturki, hard red winter wheat, and Marquis, hard red spring, has just been released by the Minnesota Experiment Station. Because it combines the weight and milling qualities of Marquis with the rust-resistance and winter-hardiness of Minturki, and moreover produces a whiter loaf of bread, the new variety is expected to become important in Northwest areas.

The original cross was made in 1922 by University of Minnesota Farm School agronomists in co-operation with the U. S. Department of Agriculture, and the seed was markedly increased in 1939 and 1940. About 1,000 bushels are now available for distribution (\$1.25 bu. F.O.B.).

TRANSPORTATION

Alleghany Regains C. & O. Control

Court adds another chapter to the Van Sweringen story by approving Young-Kirby plan, which—barring hitches—hands road back to the holding company.

THIS DECADE'S MOST DRAMATIC railroad battle has been compromised and seems in a fair way to become history within the next few months. With the settlement—if there isn't any slip in carrying it through—working control of the rich Chesapeake & Ohio Railway will be given back to the Alleghany Corp.

Another chapter thus has been written in the fabulous story of the Van Sweringen brothers' adventure in railways and in the sequel which tells the tribulations besetting those who have taken over since the "Vans" died. This latest chapter involves Robert R. Young and his more or less silent partner, Allan P. Kirby, who have been trying to iron out the affairs of Alleghany Corp., top holding company in the Van Sweringen system.

Young and Kirby (with another partner, Frank Kolbe, who later left them) bought control of Alleghany in the spring of 1937. This purchase carried with it the largest voice in the affairs of the C. & O. However, within a year they were involved in a fight with Wall Street interests headed by the Guaranty Trust, and it soon was clear that they weren't going to run the C. & O. until a lot of things had been settled.

A Holding-Company Empire

This fight may not have had the popular appeal of the historic railroad battles between the Goulds and the Vanderbilts or between the so-called empire builders of the West. But it has had its share of name calling, and it has filled the courts with litigation.

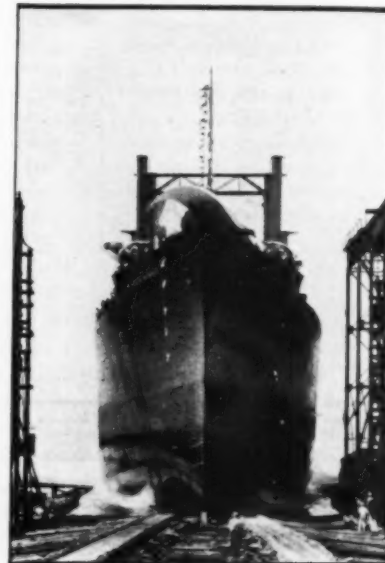
The whole thing grew out of the high finance with which the Vans' operations were filled. Alleghany was one of the vehicles through which M. J. and O. P. Van Sweringen bought 10,000 miles of railroad with other people's money. By setting up one holding company on top of another, they made common stocks and promissory notes of one sub-holding company to another support bond issues and preferred stocks and common stocks that were sold to the public while the Vans still retained control of their railroads.

Of such were the assets of Alleghany, and a lot of those assets have gone bad over the years. The only really good one left is the stock holding in C. & O. But

some \$75,000,000 of bonds rest on this collateral. Moreover, the indentures securing those bonds have some fancy provisions, and those technicalities have caused the fight.

Primarily, the indentures say that the value of the collateral has to be 150% of the face value of the bonds. Seldom has that been the case over the last eight years. It wasn't the case in 1938. The Guaranty Trust, which was trustee for the Alleghany's three bond issues at that time, couldn't see eye to eye with Young. So the Guaranty, exercising its rights as trustee under the indentures, impounded the C. & O. stock. Alleghany then lost its

A New Merchantman



The American President Lines—successor company to the old Dollar Steamship Lines—added another deluxe liner to its fleet of modern passenger ships last week when the S. S. President Monroe slid down the ways at Newport News, Va. The Monroe was the second of a fleet of seven new boats to go into the company's service—all of which will be used to revive the famous round-world service originated by Dollar.

right to vote its C. & O. shares and automatically Young and Kirby lost control of the railroad.

Legal sparring for a long time has been magnificent. However, for the last 10 months, the various parties have been trying to work out an agreement. What Young and Kirby wanted was a readjustment of the trust indentures which would give Alleghany control over cash, collateral, and voting stock which long has been tied up under court orders.

Court Approves Plan

At last they have brought forward a plan which all parties have agreed to and which U. S. District Judge Vincent L. Leibell has said appears fair to holders of all three issues of bonds. Various formalities now must be complied with, including submission to the Securities and Exchange Commission, and then assents of bondholders will be solicited.

The plan undertakes to facilitate retirement or refunding of the \$31,000,000 of bonds falling due in 1944 (this issue persistently has had collateral equal to nearly 150% and on several occasions that figure has been exceeded). The readjustment also aims to increase the collateral behind the \$22,000,000 of bonds maturing in 1949 (this issue is fairly well secured) and behind the \$22,500,000 of bonds coming due in 1950 (the collateral for these bonds usually has been far below their face value).

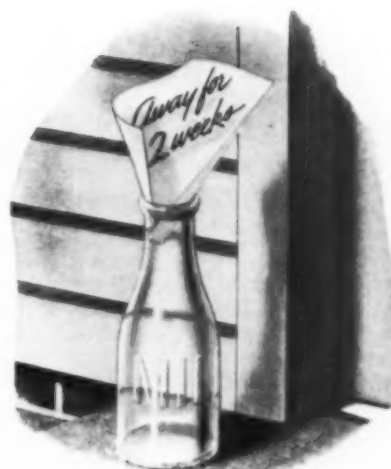
In addition, the changes in the indentures of the various bonds would greatly facilitate regular payment of interest on the 1950 issue, would free cash to meet Alleghany's running expenses, would enable the holding company to buy up bonds below their face value, and would allow Young and Kirby to vote Alleghany's stock in the C. & O. Trustees, however, would be allowed to demand at any time that Alleghany's stock must be voted for a C. & O. director to represent each of the three bond issues.

Train Auto Gain Cited

New service reports rising patronage, though revenues undershoot the advance estimates.

LAST WEEK officers of Railway Extension, Inc. reviewed results of the first 90 days of Train Auto Service in the territory of the twelve participating railroads. Percentagewise these are: 58% more customers in June than in May, 43% more in July than in June. Dollarwise the results are not so hot, since revenues admittedly fall short of meeting half the fixed overhead. Spokesmen claim that volume to date undershoots advance estimates only in proportion to the summer's disappointing shrinkage in rail travel volume, and that this only means their outfit will take a month or two longer to clamber out of the red

Invitation to Theft



An unoccupied residence is a standing invitation to the burglar.

Before you go vacationing, protect the contents of your home — and your peace-of-mind — with a Standard burglary and robbery policy. Your Standard agent or broker, efficient and well-informed, will gladly give you the details of this low-cost protection.

Standard Accident of Detroit writes burglary and robbery insurance to cover your home, business and person; also insures against loss due to embezzlement; forgery; automobile accident; injuries to self, employees and public; glass breakage; and similar hazards.

Your Standard agent or broker is ready to help you at any time.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

than was expected when the plan was launched.

Sampling surveys indicate that nine out of ten customers have never before rented drive-yourself cars, and that a good many repeat customers are showing up at successive points in their travels. Approximately 10% of the customers are vacationers, and demands for rental cars have exceeded available supplies in regions where vacation travel is holding up best—Colorado Springs and Denver, for example. The other 90% of the customers are either business travelers or local residents. Number of company credit cards applied for has been disappointing, and Railway Extension is about to embark on a campaign to boost this number. Some western customers squawk at 8¢ a mile for Train Auto's insured cars because they are used to lower prices and no insurance.

Plan Draws Local Trade

Local rentals have turned out to be a surprisingly large proportion of the total business in big towns, such as Chicago. The company owns and operates its own equipment at Chicago, and is using the

city's several railroad stations for experiments with assorted hourly mileage minimums to determine which schedule will attract the largest volume of Loopers who need to run about for a few hours in industrial or suburban districts.

Significant of the increasing emphasis on local trade there, Train Auto last week opened a rental stand in the Wilson Ave. elevated station. Public announcements explained this as serving passengers from North Shore Electric trains, but the station happens to adjoin the North Side's densest apartment hotel neighborhood, and is handy to a sizable business and factory district. How the railroads will view the local rental development remains to be seen; they anted \$50,000 for advertising the service last spring in the hope of attracting passengers back to the rails.

Despite local rentals, which tend to short mileage, the average customer drives 150 miles, spends \$12. A sprinkling of cities has already proved worthless for drive-yourself franchises, and is being supplanted by more promising points. For example, Cairo, Ill., laid an egg and is being replaced by Centralia.

Airlines Plan Auto Rental Service

Drive-yourself cars to be waiting at airports if pending deal is completed. Plane travel on credit being worked out, following methods adopted by railroads.

HAVING FRAMED a plan to sell air travel on credit, officials of the Air Transport Association of America are now dickering to provide drive-yourself car rental service at airports.

Neither deal is signed, sealed, and delivered. Both deals are pending. The travel credit plan is at a stage several jumps ahead of the car rental plan. The credit plan—similar to that adopted by the railroads last June (*BW—May 11 '40, p. 22*)—is not to be confused with the Air Travel Card plan under which a deposit with an airline permits travelling on all airlines by merely signing for the tickets.

The Air Transport Association is handling negotiations on both deals for the airlines. The same companies which service the railroad stations on travel loans and rental cars—Travelers Credit Corp. and Railway Extension, Inc.—are slated to service the airports. Hugh W. Siddall, chairman of the Trans-Continental-Western Passenger Associations, is sitting in to safeguard the railroads' interests.

It is reported that travel credit contracts, practically identical with those signed by the railroads, are already in the hands of each domestic airline for signature. When these are duly executed, Siddall is expected to give them the

railroads' blessing, and the effective date can soon be proclaimed. All but New England and Southeastern passenger associations have assented, and these are expected to vote yes when they meet next week.

Compromise Deal Expected

Air Auto Service is in an advanced state of bargaining between the air association and the operating company. It will probably be settled to the satisfaction of both parties in the very near future. The rails have a heftier grasp here, however—about \$50,000 heftier. As part of the original agreements between the roads and Railway Extension, the eleven roads put up money (in proportion to the number of points served on each line) to make an advertising kitty of \$50,000. The contract provided that, before any road could be subsequently admitted to the plan, the participating roads' vote would be required and it would have to ante up its pro-rata refund of the advertising expense already over the dam. Only one railroad has since joined, the all-electric Chicago, North Shore & Milwaukee, with four service cities. If the 12 railroads get proportionate refunds from 17 domestic airlines, they are in a fair way to get half their money out. General expecta-

Flood of Concrete



*Californians cheered two weeks ago when the first concrete was poured at Friant Dam, which was begun last year as part of the giant Central Valley Water Project (*BW—Nov 18 '39, p. 29*). The dam, located on the upper San Joaquin River near Fresno, will store water for irrigation of crop lands in five counties. The entire valley project—to be completed in 1944 at a cost of about \$170,000,000—will reclaim approximately 50,000 acres of arid land.*

tion is that some sort of compromise will be worked out, and that the deal by which the airlines will finance a new campaign advertising air- and rail-auto service will accordingly go through by early autumn.

Best judgment of transportation men is that airports should yield a better car-rental business per passenger than the rails. Most air stops are big cities, and many an air passenger hops in and out of a town the same day, meanwhile sandwiches in two or three local calls. Because most airports are far out, he can save more time by driving himself than he could save from a downtown railroad station. And most air travelers have pocketbooks or expense allowances which will accommodate a few dollars of car rental without discomfort.

Adoption of travel credit and auto rental plans doesn't, in any sense of the word, imply that the airlines need the

shot in the arm which the innovations may be expected to provide. Preliminary estimates indicate an increase of 55% in revenue passenger miles flown this July over the same month last year. This puts revenue passenger mileage up 61.19% for the first seven months of 1940, and gives the lines a better-than-even chance of passing the 1,000,000,000 mark this year. Most significant, however, is the fact that the airlines are making spectacular gains when other first-class travel is falling below 1939 totals. The ratio of airline to Pullman passenger mileage for the first six months of 1940 is better than 11%—against 6.55% for the same months last year.

Traditional bogies for the airlines have been "fear and fare." First was licked four months ago, when on Mar. 26, the domestic airlines completed a full year without a fatal accident (*BW—Mar 30 '40, p.15*). And the record still stands. This week airlines cashed in on their safety record when the Equitable Life Assurance Society dropped extra premiums on air travelers' policies.

Operators hope travel credit will help them find an answer for Bogy No. 2.

Trains in the Making

Big orders are received by builders of Diesel-electric locomotives and streamlined cars.

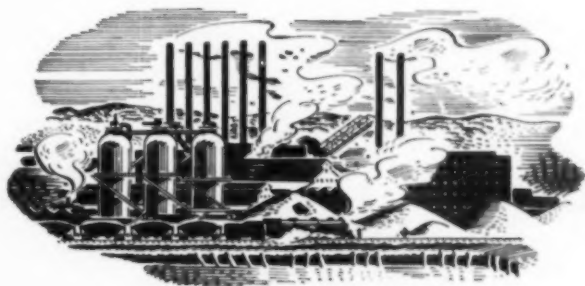
BUILDERS of Diesel-electric locomotives and streamlined rail equipment will have no reason to complain that August is a slack month. When the Atlantic Coast Line announced last week that it had ordered 18 Diesel-electric passenger engines—said to be the largest single order of its kind ever placed—the Electro-Motive Corp. (subsidiary of General Motors) reported that this business boosted the number of locomotives being built in its La Grange (Ill.) plant beyond the 40 mark.

Besides the Atlantic Coast line job, Electro-Motive's orders include 25 switch locomotives for the Baltimore & Ohio (16 of 600 hp., 9 of 1,000 hp.), and two 6,000-hp. Diesel-electrics for a pair of streamlined trains which have been ordered by the Chicago & North Western, the Southern Pacific, and the Union Pacific for use between Chicago and the West Coast. Excepting the Diesel-electric power units, the streamliners for the western roads (costing more than \$4,000,000) will be built by Pullman-Standard Car & Manufacturing Co., Chicago.

Owned by All Three Carriers

One of these trains, the City of San Francisco, will be owned by all three of the interested railroads. When the City of San Francisco was wrecked last summer, other railroads chipped in with the loan of enough equipment to maintain

THE DEFENSE PROGRAM



CLEVELAND is the center of one of the largest industrial regions in the world.

This city, and its surrounding territory, will play a major part in the vast rearmament program now getting under way. Its banks are able and willing to help in the financing of this great effort.

According to a survey made by the American Bankers Association, 6,400 (45%) of the country's banks made nearly 26,000,000 loans during 1939 for a total of more than \$40,000,000,000.

We invite discussions with concerns which may require credit in performing their share of the national program.

THE
NATIONAL CITY BANK
OF CLEVELAND



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

To the Manufacturers



of America ***

whose part in the national preparedness program presents entirely new problems in the selection and working of steels—*we offer this service*

WITH unprecedented suddenness, much of American industry has been asked to turn from familiar manufacturing pursuits to throw its skill, resources and labor into the manufacture of materials for national preparedness.

That it will rise to this emergency, no one questions. No matter how unfamiliar many manufacturers may be with the new processes and materials they suddenly find themselves required to deal with, the situation will be met.

To those thus confronted and whose needs are in steel, this message carries definite assurances of unquestioned importance.

The selection of steels, their forms and properties, has, in recent years, become a complex matter. Many manufacturers now find themselves confronting a wholly new problem. For even slight differences often make for entirely different results. Machining and shaping operations, cutting, welding and forging, the effects of certain steels on tools and die life, the necessity for speed, prevention of rejects and economy of labor—all call for definite, specialized knowledge of steel.

Fortunately, we are in a position to supply that information.

Over the past years with the growing complexity in the forms and properties of steel, there has de-

veloped within the Subsidiaries of United States Steel a corps of specialists entirely free from selling responsibility—engineers, metallurgists, “trouble-shooters.” These men have one responsibility—to analyze the problems of manufacture within their specialized fields and find the steels and methods which will best solve them.

This service was not initiated to meet this particular emergency. Instead, it is seasoned, tried, widely experienced. Within its files are countless case histories of difficult situations met and fabricating economies effected. Many of our customers have, through the years, come to look upon these men almost as part of their own organizations. Side by side in their own shops, their specialists and ours have worked together to meet each new need.

To any manufacturer who even now may be anxiously studying blue prints and seeking a practical way out from a new manufacturing situation, we offer this service as our contribution to the part you intend to take in “What Industry Can Do for America.”

AMERICAN STEEL & WIRE COMPANY, Cleveland, Chicago and New York
CARNEGIE-ILLINOIS STEEL CORPORATION, Pittsburgh and Chicago

COLUMBIA STEEL COMPANY, San Francisco

TENNESSEE COAL, IRON & RAILROAD COMPANY, Birmingham
Scully Steel Products Company, Chicago, Warehouse Distributors
United States Steel Export Company, New York

UNITED STATES STEEL

service (BW—Sep 2 '39, p18). The other train, the City of Los Angeles, will be the joint property of the North Western and the Union Pacific. Both trains go into service next spring.

On top of this, Pullman-Standard has received a \$3,500,000 order for 51 streamlined cars for the Southern Pacific. Included in this job are 26 new lightweight Pullman sleeping cars (\$2,000,000 worth) for reequipping of the Lark trains between San Francisco and Los Angeles. Some of the other cars are for the Daylight trains on the same run, and for other Pacific Coast runs as well as service to Chicago and New Orleans.

The Atlantic Coast Line also announced last week that 21 lightweight, stainless steel streamlined coaches had been ordered by it and the Pennsylvania Railroad. This equipment, to be built by the Edward G. Budd Manufacturing Co., Philadelphia, will double the capacity of the New York-Florida Champion, a train operated by the Coast Line and the Pennsylvania in conjunction with other roads. The new locomotives and cars are to be delivered in time for the next Florida tourist season.

G.M. Units Expand

Pontiac and Buick enlarge plants, hoping for sales gains of 15% to 30% in 1941 season.

HOPES for auto sales increases of 15% to 30% in 1941 have caused both Pontiac and Buick to expand plant capacity. H. J. Klingler, president and general manager of Pontiac, said this week, "1940 has been the best model year in Pontiac's history; we built 217,000 cars, and we are hoping for a 30% increase in 1941."

In retooling and revamping the Pontiac plant for the new-model season, foundry capacity has been increased 50% to take care of the anticipated increase in production and to handle certain foundry work for other G.M. divisions. New machinery in the motor plant and several huge new presses in the sheet metal department have been installed.

Buick, according to Harlowe H. Curttice, president and general manager, has stepped up productive capacity from 1,300 to 1,500 cars daily, with the idea of building 350,000 annually. Production for 1940 was 283,204, an all-time high.

Both G.M. divisions provided exceptionally stable employment during the production season, and more than 50% of the worker groups received employment during the changeover period. Pontiac had an average employment of 8,800 from last September until completion of the 1940-model run in July. During the model changeover period of less than four weeks, 51% of this number were at work.

More than 15,000 employees worked an average of 2,050 hours each (at \$1

per hour average) at Buick. Employment during the changeover period averaged 9,000, because of staggered closing of various manufacturing departments and a minimum of down time.

Both divisions are making rapid headway toward filling dealer stocks, to permit early announcement of 1941 models. Pontiac's schedule calls for 10,000 new models in August and 22,000 in September, as compared with a total of 15,800 in the same months of 1939.

Buick revealed five lines of cars for 1941 on Tuesday of this week, including a new special series with ultra tear-drop design, the super and roadmaster series in revised torpedo styling, and century and limited models in new torpedo type styling featuring door-concealed running boards. The big Buicks are the only ones of such size seen so far with modern styling.

Plant Expansion Undertaken

Horsepower has been generally increased by higher compression ratios and compound carburetion.

Buick plans to build 16,000 cars in August, and has scheduled 130,000 for the remainder of this year, exceeding last year by 20,000 units.

Ten millions have been spent on plant expansion and retooling. Commitments have been made for materials and supplies to the extent of \$100,000,000 for the rest of this year. On the basis of a projected 300,000 cars, Buick will spend more than \$200,000,000 for materials and supplies, exclusive of payrolls.

Such an ambitious production program as this reflects the industry's general optimism about the sales outlook for the balance of this year. Total output for 1941 is expected to be in the neighborhood of 4,300,000 units.

MARKETING

Retailers Woo Latins

Back up goodwill drive with organization to foster production for two-way trade.

AMERICAN RETAILERS, of their own initiative, are undertaking to back up the political expressions of inter-American good will made at the Havana conference. They have come up with a program which will mean dollars in Latin-American pockets, and which it is hoped will lay the foundations of permanent and mutually profitable two-way trade, based on the production in South America of merchandise for retail sale in the United States which formerly was imported from Europe and Asia.

A group of prominent retailers, headed by Saul Cohn, president of City Stores, and former president of the National Retail Dry Goods Association, has organized the Retailer's Advisory Committee to develop South American supply sources. The retailers group will function under the auspices of the Inter-American Development Commission, which is composed of commercial and financial advisors selected by the 21 American republics.

Seeks Enlarged Supply

What the committee hopes to do is to reorganize the small-scale home industries in various Latin-American countries on a basis which will insure a steady and enlarged supply of goods which will meet the standards demanded by consumers in the United States.

A non-profit trading corporation to

Road-Rolling on Rubber



Vehicles equipped with smooth rubber tires are replacing iron road rollers in some types of service. Developed by the B. F. Goodrich Co., the tires are mounted in series with as

many as nine or ten to a single piece of equipment. The big tire units are of four-ply construction, and will fit 15 x 5.50 F drop-center passenger car rims as well as heavy road rollers.

co-ordinate the purchase of these handicraft goods forms a part of the program. In addition, the committee will invite inquiries from retailers to ascertain what is wanted, and will act as a central information bureau dealing with marketing, transportation, and financial problems. The cooperation of American manufacturers, retailers, trade associations, and cooperatives will be enlisted by a campaign which will publicize the committee's efforts.

Will Encourage New Suppliers

Indicative of the fact that the retailers mean business, a specially selected technical committee will leave Sept. 15 to visit Chile, Peru, the Argentine, Brazil, Guatemala, and Mexico, where they will conduct a two-months survey aimed at discovering, and fostering, the production of such items as dish towels; novelty, peasant, and crash luncheon sets; hand embroidered scarves, doilies, handkerchiefs, and lace work; printed linens; theatrical gauze; straw and raffia mats and sandals; wicker sewing baskets; leather writing and sewing cases; glassware and jewelry; earthen dinnerware; semi-crystal stemware; and kid gloves. Czechoslovakia, France, Austria, and Belgium used to be the chief suppliers of this type of goods.

The technical committee making the survey will be composed of buying and merchandising experts and specialists in foreign trade. In addition to rounding up the available finished work and arranging for a steady production flow, they will lay down United States standards and styling for future buying.

New Private Whisky

Package liquor stores of New York bring out own brand line, plan strict minimum prices.

IN THE LIQUOR TRADE, price maintenance has been more a theory than a practice. Distillers of nationally known brands have set minimum prices under state fair trade laws, and some have insisted that they be observed. But in many cases, enforcement has been notoriously lax; "under-counter" and phony "close-outs" are common practice.

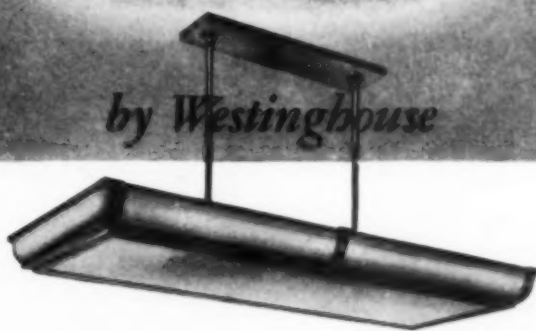
Partly a cause and partly a result of this condition is the enormous number of retailer- and wholesaler-owned private brands. To compete with these, national brand prices are hacked. And the resulting unsatisfactory margins on national brands have led to more private brands. Big retailers—Great Atlantic & Pacific Tea Co. and R. H. Macy are examples—push their own labels. Little retailers push whatever is giving them the biggest margin at the moment.

Currently, package liquor stores in New York City have a scheme whereby they hope to control their own destinies

TOMORROW'S
TODAY
ILLUMINATION

FLUORESCENT LIGHTING

by Westinghouse



TOMORROW'S ILLUMINATION IS HERE!

It's *Fluorescent Lighting* . . . the new kind of illumination that has established higher standards of lighting in offices, stores and industrial plants everywhere . . . because it provides more efficient and higher levels of illumination, both economically and practically.

Westinghouse Fluorescent Lighting brings daylight inside . . . speeds up work, increases sales, and reduces production wastes. Fluorescent lamps are definitely cooler . . . they can be placed closer to working surfaces and thus produce far greater levels of illumination. For industrial "precision seeing," these lamps are particularly applicable and aptly lend themselves to new, decorative effects and designs.

Westinghouse Fluorescent Fixtures are available in a wide variety of styles . . . from Semi-Indirect commercial Luminaires (CL-160), pictured above, to Continuous Trough lighting for industrial plants where extended lines of light are desirable for long assembly and production operation . . . in fact, there is a Westinghouse Fluorescent Lighting unit for every office, store and building application.

Investigate this new kind of illumination today, or write Westinghouse Electric & Manufacturing Company, Lighting Division, Edgewater Park, Cleveland, Ohio. You can get complete Fluorescent Equipment . . . bearing the Westinghouse trade-mark . . . from 117 conveniently located Westinghouse Electric Supply Company offices or Independent Westinghouse Lighting Distributors.

Westinghouse 
FLUORESCENT LIGHTING

to a greater extent. Nut of the scheme is a line of group-sponsored whiskies to be sold under the brand name "Winchester," which is owned and controlled by the Metropolitan Council of Package Store Associations. The experiment with association-sponsored brands, largest of its kind since repeal and comparable to the use of private brands by voluntary chains in the drug and grocery fields, may find its counterpart in other markets.

Production of the Winchester line is being handled by the Baltimore Pure Rye Distilling Co., Dundalk, Md. Distribution, through Foreign Vintages, Radio City, N. Y., is just getting under way, with first orders reputedly totaling several carloads.

Eventually, it is hoped that the Winchester line will be distributed throughout New York State, but in the beginning sale will be limited to members of package store associations in the metropolitan New York City area—about 900 of the 1,120 stores in the district. Further, an effort will be made to keep the whiskies out of the hands of package association members who are known to be consistent price cutters.

Higher Margin Given

Current plans are to set up fair trade minimum prices which will provide retailers with slightly higher margins than the 40% of cost they theoretically have on nationally known brands—and to enforce those prices strictly. There will be three whiskies—Winchester White Label, \$1.19 a pint and \$2.33 a quart; Gold Label, \$1.30 a pint and \$2.52 a quart; and a five-year bottled-in-bond Maryland rye, \$1.50 a pint and \$2.91 a quart.

Present plans are to offer no deals of any kind, and no discounts for quantity purchases. Instead, quantities sold to any one store will be carefully checked, to prevent building up a large stock for a "close-out." Supplies of price-cutters will be quickly cut off. With such policies, Winchester sponsors expect retailers to push the line ahead of brands on which price maintenance has been lax.

Dry Cleaning "Sale"

Some 200 Sanitone licensees will plug six-ties-for-25¢ plan in national ad this month.

AN ADVERTISEMENT that is bound to jar the dry cleaning industry out of its mid-August doldrums will appear in the *Saturday Evening Post* dated the 24th (out on the 21st) of this month. Approximately 200 dry cleaners and laundries—all Sanitone process licensees—will offer to clean six neckties for 25¢, until Aug. 31.

In some localities the six-for-a-quarter offer will represent a real bargain. In others, where neckties are being cleaned

free with every suit, it won't mean so much, but the important thing about the deal is that it will represent the first time that price has ever been advertised nationally by either the laundry or dry cleaning industry. Some enthusiastic cleaners even claim it will be the first instance of a nationally advertised price for any service industry composed of locally-owned firms.

Remembering the failure to line up the laundries in northern Ohio two years ago on one service and one price for an advertising test, observers are amazed at the accomplishment of Emery Indus-

To Hold Down Prices



Harrie & Ewing

Harriet Elliott, who represents the consumer on the Defense Advisory Commission, has already held one conference for leaders of religious, civic, and women's organizations. On Aug. 29, she will hold a second and more important pow-wow—this one for retailers. Thus far, business doesn't have to worry about any drastic reform program aimed at the "high cost of living," because the war-time bugaboo hasn't shown up.

tries, Cincinnati, licensors of Sanitone. Of 345 Sanitone outlets (which are about evenly divided between exclusive laundries and laundry-cleaners) contacted personally, 201 will participate in the national necktie special. All Sanitone licensees will be listed in the advertising, although non-participants will be listed separately.

Why neckties for the cleaning bargain? The low unit price had something to do with the choice but other contributing factors were: (1) a surprisingly large number of regular cleaning customers do not know that neckties can be

successfully dry cleaned; (2) for demonstration purposes neckties with bright figured patterns are far more effective than somber-hued suits; (3) due to local conditions it would be impossible to get a bare majority of licensees to agree on a bargain price for suits or dresses.

Maintains Unique Position

Since no other dry cleaning process is nationally advertised, Sanitone (which is a naphtha cleaning process plus the addition of Sanitone fluid) maintains a rather unique position in the industry. National advertising for the dry cleaning industry at large has been done intermittently by the Institute for Maintaining Dry Cleaning Standards and by Dow Chemical, neither of which sells any special cleaning process.

A chaotic price situation which is nothing new for the dry cleaning industry continues to prevail, generally, throughout the entire field. Ten years ago when price-cutting broke out in serious epidemic form throughout the nation many cleaners clung to their \$1.25 to \$1.50 suit-or-dress prices fully confident that competitors who featured dollar cleaning would soon fold up. Today the dollar suit is tops in price. The national average as announced recently by National Association of Dyers and Cleaners is close to 80¢ having taken a sharp drop from the 1938 level of 96¢. Last week two new lows were noted in the middle west: at Tulsa, suits cleaned for 20¢ less 20% cash-carry. At Wichita, Kan., cleaners were quoting prices as low as 25¢ plus free summer storage—a service which itself is rarely priced at less than 50¢ by most cleaners.

Citrus Selevison

Machine-made national auction market for Florida oranges interests produce trade.

FLORIDA'S CITRUS GROWERS have been pricking up their ears at reports of a scheme to help them broaden buyer competition and get a better price for their produce by the establishment of what would amount to one nationwide auction for Florida fruit. Basis of the scheme is a complicated machine called "Selevison," brain-child of H. H. Stockfeld, English inventor-promoter, who claims backing by a group of some 60 producers organized as Farmers National Market System, Inc.

Stockfeld has demonstrated Selevison to a group of interested buyers and shippers in New York City. What they saw was a large electric clock, marked off in seconds from one to ten, and flanked by electric signs—one for "Bid" and one for "Sold." Under the clock was a variant of the common stock ticker.

Stockfeld's system is based on the government certificates now issued to grow-

1810



1940

On guard—through the years

The well-known stag trademark of the Hartford Fire Insurance Company symbolizes the manner in which the company itself has been "on guard" in behalf of its policyholders for the past one hundred and thirty years.

The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company today write more than sixty forms of fire and

casualty insurance, and fidelity and surety bonds. These contracts cover practically every risk that may bring financial disaster to individuals and business institutions.

There is a Hartford agent near you. To learn his name just call Western Union (in Canada, call Canadian National Telegraphs). Consult your Hartford agent today—or talk with your own broker.

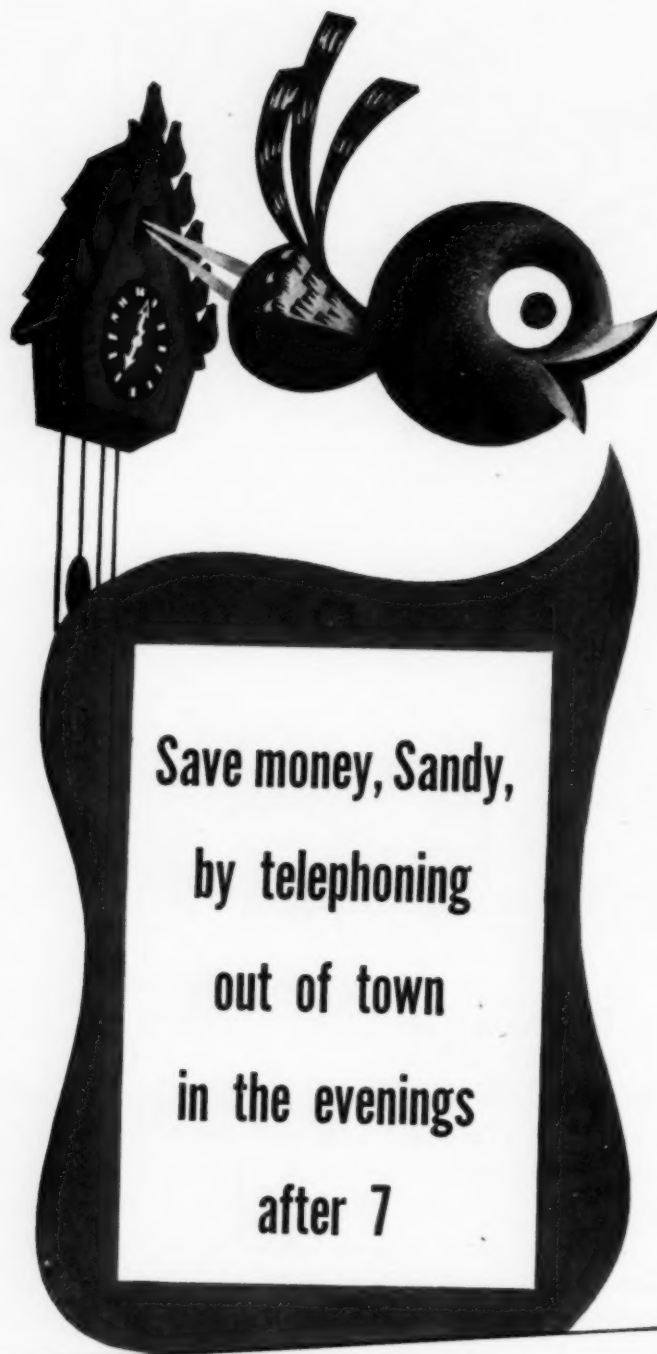
Hartford Fire Insurance Company

Hartford Accident and Indemnity Company

HARTFORD



CONNECTICUT



Save money, Sandy,
by telephoning
out of town
in the evenings
after 7

• The 3-minute, station-to-station rates below are typical of the bargains in happiness you can buy in the evenings or on Sunday. . . . Some one, somewhere, would like to hear *your* voice.

Detroit to Cleveland.	\$.35	Chicago to Omaha.	\$.85
New Haven to Atlantic City45	Topeka to Denver.95
Philadelphia to Boston.60	Dallas to St. Louis.	1.00
Louisville to Memphis.70	Baltimore to Chicago.	1.10

• The Bell System cordially invites you to visit its exhibits at the New York World's Fair and the Golden Gate International Exposition, San Francisco.



ers for each carload that gets the inspector's O.K. Plans are to send out teletyped facsimiles of the certificates to the 70 principal carlot buying points in the country. Bidding—limited to a 10-second period—would then be held simultaneously at all auction centers. The idea is that bids can be transmitted so quickly that a Chicago buyer can see an offer made in Cleveland flash on the "Bid" sign above him at the same time that it is being made, and get a chance to top it before the ten seconds are over. Stockfeld claims his mechanism is so precise that there is almost no danger of conflict between simultaneous identical bids. Highest bid is automatically recorded on the "Sold" sign the instant the ten seconds are up.

Heavy Buyers Less Enthusiastic

Farmers National Market System hopes to finance Selelevision by a fee to be paid by growers on each carlot handled—set tentatively at 3%–4%. The organization would act as go-between by paying growers in Florida as soon as a sale is registered in the auction rooms, collecting from buyers on delivery.

Stockfeld says that Selelevision will be in operation in 18 of the 70 carlot buying points by mid-October. Realists in the trade point to the difficulties of getting necessary cooperation from Florida's 15,000-odd growers and 350 packers—not to mention the 11 members of the Florida Citrus Commission. They add that, while small commission men and brokers might benefit as much as growers, heavy purchasers like the corporate chains, which send buyers down to the packing houses and get fruit at low cost on a take-it-or-leave-it basis, may be less enthusiastic. In addition, Farmers National will have to come to an agreement with the big auction houses—mostly producer-owned.

Solid Against ASCAP

Broadcasters show united front, but music monopoly war may end with a compromise.

EVEN THE MOST ARDENT BACKERS of the broadcasting industry's plan to defeat the contract demands of the American Society of Composers, Authors & Publishers are expressing surprise at the complete unanimity apparent last week in San Francisco at the convention of the National Association of Broadcasters. The broadcasters' convention has been marked in the past by knock-down fights. But the 650 delegates at last week's meeting, biggest in radio's history, didn't once whimper as leaders pushed through resolutions promising further support to Broadcast Music, Inc., the music publishing outfit set up last September when negotiations stalled over renewal of contracts for the per-

forming rights to ASCAP's music. Leaders had feared a split at the convention—big operators against small ones. ASCAP's proposed contracts (to replace those which expire Jan. 1) soak the chains and big stations, but actually let some very small stations off with less than the 5% royalty now paid by all. But few of the very small stations are members of the National Association of Broadcasters, and no split developed.

Instead, about 50 more stations signed up with Broadcast Music, Inc., which now has the support of about 360 stations—only half the country's total, but representing 85% of the industry's dollar volume. B.M.I. expects to have 25,000 tunes available by Jan. 1, when and if ASCAP music goes off the air.

Mutual Rejects ASCAP Renewal

Biggest single boost for B.M.I. came when Mutual Broadcasting System announced that 10 of its key stations have finally rejected ASCAP's renewal terms. Mutual does not own stations or originate programs, but merely makes available to members programs originated by other members. Accordingly, the question of whether to sign with ASCAP is up to each member, and there has been some doubt that all of the Mutual key stations would follow the anti-ASCAP policy of Columbia and NBC. But with such Mutual mainstays as WOR (Newark), WGN (Chicago), and the Don Lee Network on the Coast coming out against ASCAP, the doubt is resolved.

Despite all the preparation to get along without ASCAP music, there is still a strong possibility that some kind of a compromise will be worked out by Jan. 1. Official convention talk last week was all of a no-capitulation nature, but lobby talk hinted of a "deal." The broadcasters seem willing to go to any length necessary to break ASCAP's monopoly on music. But they'd hate to try to get along without the works of such ASCAP composers, past and present, as Victor Herbert and Irving Berlin.

FTC Cracks Whip Again

THE FEDERAL TRADE COMMISSION gave continuing evidence this week of its intention to crack down under the brokerage clause in the Robinson-Patman Act on resident buyers who have accepted commissions from manufacturers. FTC led off late last week by bringing charges against a Manhattan fur buyer and followed up Monday with a similar complaint against another commission house.

It is all right for buyers who exercise a genuine brokerage function to accept manufacturers' fees, but the FTC believes resident commission houses shouldn't accept cuts from manufacturers when they are acting exclusively for a well-defined group of retailers. The case, the first of its kind, may throw a monkey-wrench in the middle of fall buying activity.

Aye, an' dinna
for-r-get the same
low r-rates apply
all day
Sunday!



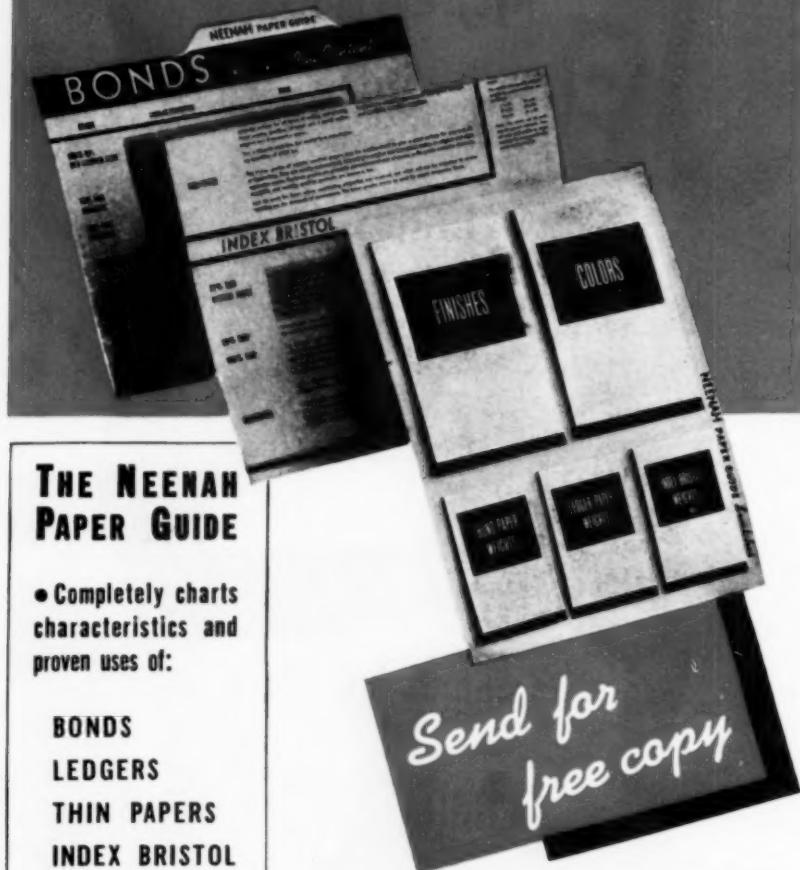
• Here are more night and Sunday rates for 3-minute, station-to-station calls. (Many others in the front of your directory.)
... Are there birthdays or anniversaries you've forgotten?

Buffalo to Chicago	\$.90	Los Angeles to Des Moines	\$2.00
Indianapolis to New York..	1.15	Salt Lake City to Washington, D. C.	2.50
Atlanta to Oklahoma City	1.35	New York to San Francisco	3.00
Minneapolis to New Orleans	1.65	Portland, Me., to Seattle..	3.00

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PRODUCTION

Help For Laundrymen

New Sanforset process is safeguard against "unpredictable qualities" of spun rayon.

THERE'S A TIMELINESS to last week's announcement of Cluett's new Sanforset process for eliminating shrinking and stretching in viscose rayon fabrics which does not catch the casual eye. As recently as July 26, the American Institute of Laundering went on record with an official statement: "Spun rayon fabrics and garments, particularly in the sports apparel field, have been found to be unpredictable with regard to laundering qualities, and should be accepted by laundries only on the responsibility of the customer."

Back of that lay a history of round-robin arguments and cash adjustments involving converters, wholesalers, retailers, sport-clothing wearers, laundries, and dry cleaners.

Briefly, the new process developed by Sanforized-Shrunk, division of Cluett, Peabody & Co., is "a chemical treatment which stabilizes the fabric and does not alter it in hand or finish." It is applied to fabrics after they are dyed or printed. (It is not to be confused with the well known Sanforizing process for cotton goods). Garments made of materials so treated will bear a special silver label with the words: "Sanforized-Shrunk Sanforset Treated and Tested Rayon will not shrink or stretch out of fit."

Also Applies to Blends

Thus far it has been found that Sanforsetting may be applied not only to fabrics made wholly of viscose filament and spun rayon yarns, but to blends having 85-90% of viscose yarn and the rest of acetate rayon or natural wool. In its present form, it is not applicable to acetate and cuprammonium rayons, which have not been causing much trouble for laundries and cleaners anyway.

Costs of the treatment will naturally vary with the type, weight, and construction of fabric. It is understood that Cluett will charge a flat royalty of one half cent a yard. Finishers will probably have to charge about three cents a yard. But along with the guaranteed freedom from shrinkage and stretchage will come in many instances an improvement in both the wet and dry strength of the fabric.

The treatment develops neither odors nor brittleness nor skin irritations. "The change which the Sanforset treatment makes in the fibers is permanent, and its benefits last throughout the entire life of the garment."

The importance of all this to the embattled laundrymen and cleaners will

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not be immediately apparent to them, because they have been faced with problems not only of shrinkage and stretchage, but of streaking, fading, pulled and raveled seams, and "iron marks" from pressing. Furthermore they know that all rayon is not viscose, not more than 70% of it.

As one prominent laundryman puts it, "not all spun rayon is at fault. In fact, most of it now being cut by the better converters will stand dry cleaning or washing by approved formulas, but the big problem is to tell the good from the bad."

Relief for the laundrymen will come from the fact that Sanforsetting will be too expensive for application to cheap, shoddily-constructed, badly-dyed fabrics. The silver label will, without saying so in so many words, carry a practical assurance that any garment bearing it can be laundered by approved methods without undue grief. Meanwhile, the American Institute of Laundering is working with textile manufacturers and garment workers in an effort to bring about minimum standards for spun rayon garments.

That failing, the laundrymen can stick to their guns, accepting garments which do not bear the Sanforset label "only on the responsibility of the customer." Licenses for the Sanforset rayon treatment are being granted to holders of licenses under the Sanforized-Shrunk cotton patents.

For Peacetime Chemicals

SCHEDULED for operation in mid-1941, Plant 18 of the Monsanto Chemical Co. is still on the drafting boards, will be built on 138 acres fronting the Detroit River at Trenton, Mich., about 15 miles southwest of Detroit. It will be the fourth plant in the company's phosphate division, the other three being at Anniston, Ala., Monsanto, Tenn., and Carondelet, Mo. The Tennessee plant, completed in 1937, is the world's largest producer of elemental phosphorus.

Unlike most plants now being planned and erected, the big new Trenton plant will go into "the production of peacetime chemicals required by other American industries in the making of products for domestic consumption"—such as disodium phosphate, monosodium phosphate, trisodium phosphate, etc. Uses range from the scouring and dyeing of textiles to the cleaning of metals, to water-softening, to dentifrices, to the emulsification of cheese.

90-Minute Mirrors

CONVEYORIZED PRODUCTION of mirrors grows apace (BW—Jan 27 '40, p. 37; Aug 10 '40, p. 40). In the fall, Pittsburgh Plate Glass Co. will put into operation a new assembly-line mirror plant at Ford City, Pa., where clear plate glass will become gleaming mirrors in 90 minutes.

NEW PRODUCTS

Pass Producer

AN UNALTERABLE identification pass can be produced in five minutes complete with photograph, social security number, payroll number, signature, or other identifying data on one piece of photographic paper, with the Marful Identification Unit. As built by Marks & Fuller, 44



East Ave., Rochester, N. Y., the unit consists of posing booth, fluorescent illumination, camera, and darkroom.

Fire-Fighting Trailer

NEWEST CARBON DIOXIDE fire extinguisher of the C-O-Two Fire Equipment Co., 10 Empire St., Newark, N. J., is the C-O-Two Hose Reel Trailer Unit which rides to fires on balloon-tired wheels behind any truck or tractor. Equipment consists of ten 50-lb. CO₂ cylinders and one or two reels carrying up to 200 ft. of hose.

Ramp Eliminator

WHEREVER ramps between various factory levels slow up the movement of



goods in production, there is a place for the Ramp Eliminator, a self-contained stationary lifter made in various sizes by Service Caster & Truck Co., Albion, Mich. The one in the picture has a platform 4 x 8 ft., two safety gates, a lift of 4 ft. 4 in., a capacity of 2,000 lb.

Saw-Horse Brackets

FIVE PIECES of 2 x 4-in. lumber and a pair of new Bassick Folding Saw-Horse Brackets make one strong saw horse. As

400 THOUSAND
POUNDS
Saved
IN ONE YEAR!



WITH
General
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● A well known electrical apparatus manufacturer eliminated 405,000 pounds of unnecessary tare weight from shipments of large transformers alone. The total annual saving resulting from this one improvement amounted to several thousand dollars. As the saving was made possible by scientifically designed General wire-bound crates, there was no sacrifice of protection for the product. The General Box laboratory is constantly developing cost-reducing containers for manufacturers of a wide variety of products. The advantages of this time-proved service are available to you, without charge.

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New Orleans, St. Louis, St. Paul, St. Louis,
Wichita, Mo.
Continental Box Company, Inc., Houston, Dallas

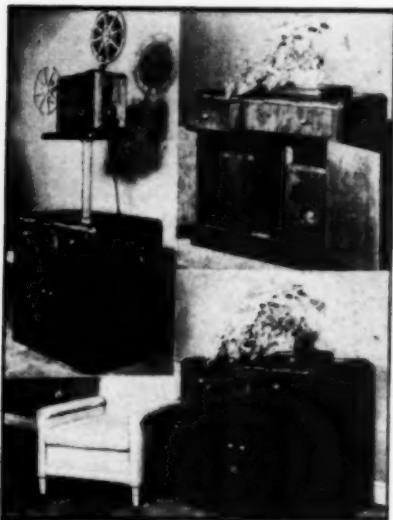
- () Send complete information about the General Box Laboratory service.
- () Have a General Box engineer call.

Name _____
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City _____ State _____

produced by Bassick Co., Bridgeport, Conn., the heavy-gage steel units require no nails, screws, or bolts, unless a permanent application is desired.

Projector Cabinet

OUTSTANDING feature of the new B&H Projector Cabinet is the elevating projecting stand for sound or silent movie equipment. A crank moves it upward to



56 in. or less. Large concealed wheels permit the cabinet to move easily over thick rugs. Bell & Howell Co., 1801 Larchmont Ave., Chicago, makes the outfit in two finishes—walnut and gray.

Household Gloves

THEY LOOK almost like dress gloves, but they are the new Hood Household Gloves



for all household tasks including dish-washing. Hood Rubber Co., Watertown, Mass., makes them of a non-slipping, suede-finish fabric, lines them with waterproof, oil-resistant du Pont neoprene.

Kitchen Heater

SINCE ELECTRIC RANGES are so well insulated these days that they add little heat to a kitchen, General Electric Co., Bridgeport, Conn., is bringing out the G-E Circulating Kitchen Heater, fired with wood or coal. Its height, depth, design, and white porcelain enamel finish all match standard G-E ranges, so that it may be installed right alongside.

LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

How Much to Be a Union Man?

Proposal to assess automobile workers for organizing drive throws spotlight on differences between A.F.L. and C.I.O. initiation fees and dues.

WHEN THE AUTO WORKERS' union wound up its recent convention (*BW*—Aug. 6, '40, p. 35), by giving its officers a mandate for a widespread organizing campaign, it found it necessary to submit to referendum a proposal for a special per capita assessment to underwrite the drive.

Nobody knows what it may cost to complete organization in the motor field and to expand into aircraft, but other ambitious drives have run into the millions. Organizing the steel industry, for example, cost an estimated \$2,000,000 in subsidies before the Steel Workers Organizing Committee was self supporting.

The expenses contingent on hiring organizers, renting halls, publishing union literature, fighting law suits, leasing office space, and paying salaries to officers make union finances big business. A union's stock in trade is the protection of organization it offers workers. Real

or fancied, "the benefits of membership" are marketed for a price.

Although a union's symbols and slogans are often idealistic, rates are grounded solidly in practical economics. In some cases, notably where C.I.O. and A.F.L. units are competing for membership in the same field, competition will drive down the price at which employees are offered union membership. Thus, for example, the C.I.O. Construction Workers Organizing Committee advertises that it levies no initiation fee and charges only \$1.50 a month in sharp contrast to the steep fees of the old line A.F.L. unions in the building trades.

What Determines Dues

On the whole, dues of the C.I.O. unions are substantially less than those of the A.F.L. There are two chief reasons for this: (1) Craft unions, the traditional

Alas, Poor Yorick!



C.I.O. pickets—on strike for two weeks at a Detroit cemetery—weren't getting anywhere with demands for higher pay. So, they cut up sheets and printed signs to call

attention to their demands. Last week, they claimed to have stopped all burials in the graveyard by their methods, hoped to have the ghost walking with higher paychecks soon.

Wide World

A.F.L. form, often have mutual insurance plans—sickness, disability, unemployment, old age, death—which are paid for in higher dues, and (2) A.F.L. unions are made up largely of craftsmen who are generally paid higher wages than C.I.O. workmen and consequently can afford to pay higher dues.

Dues, initiation fees, and special assessments are often determined by the local branches, but sometimes the limits are fixed by the parent union or its constitution. Of the money collected by the financial officers of the locals, a certain amount goes to the parent body for expenses of the national union. This amount, representing the "national dues," is called a "per-capita tax."

National "Taxes" Vary

The amount of the per-capita tax naturally varies with the union. Strong, centralized organizations that pay field men and finance strikes out of the national treasury, collect a proportionately high per-capita tax. In other unions, where the locals enjoy a large measure of autonomy, per-capita payments are low, as a large amount is required for the local's expenses.

In a union's financial affairs nothing arouses more public comment than the initiation fee. Actually, in most cases, high initiation tolls — some reportedly as much as \$500 — are not designed for revenue-raising purposes. A high initiation charge usually means that there are not enough jobs to go around and that the union has no constitutional basis for keeping out would-be members and must employ some round-about device. To protect the interests of their membership, and secure the available jobs for the old-timers to whom the organization feels a distinct responsibility, substantial barriers are erected to keep new men from enlarging the trade's job pool.

Representative A.F.L. unions and their rates are as follows:

International Brotherhood of Electrical Workers: The New York local, largest building trade local in the country, charges \$100 for initiation but will organize a non-union shop and waive the initiation toll. Actually, its initiation fee is designed to keep it a closed union. Dues are \$16 a quarter, and in addition to union membership the member gets a \$3,000 life insurance policy, old age and unemployment benefits. The above figures apply only to Class A membership, skilled craftsmen employed in the construction industry. For workers in electrical manufacturing plants, the union has a Class B membership for which the initiation is \$10 and the dues average \$1 a month. The local sends \$90,000 a quarter to the parent union in per capita.

International Ladies Garment Workers Union: Each local is permitted to determine its own initiation charge and, in practice, the rates range from \$1 for the lower-paid unskilled workers to \$100 for the cutters, aristocrats of the industry.

BY GUESS and BY GOSH.....!

Guessing the answers to important business problems is too costly a procedure. If dusts are present on any operations in your plant—you need periodic checks to safeguard your men from injury. Dusts are so subtle in their action, their danger is seldom recognized until long after serious damage has been done.

WILLSON Dust Sampling Apparatus enables your engineers to keep an accurate check on the condition of

the air in your plant. This will enable you to avoid the dangerous conditions that might lead to pulmonary infection. Write today for complete information on **WILLSON Air Conditioning Instruments** and **WILLSON Safety Service**.



The Dust Sampling Apparatus here shown is just one of a group of scientific instruments manufactured by Willson to determine dust and air conditions.

RESPIRATORS
HELMETS
GOGGLES
GAS MASKS

WILLSON
DOUBLE
PRODUCTS INCORPORATED
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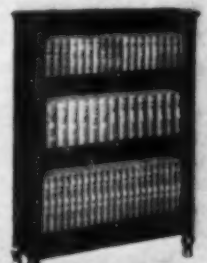


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Globe-Wernicke offers a wide variety of stock and special wood or steel business equipment and supplies designed to speed up routine, save time and money. Consult our local dealer who will welcome an opportunity to serve you . . . or write direct to us for information.

SOLID END BOOKCASE
Ben Franklin style . . .
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This fine sectional bookcase of distinctive appearance "grows as your library grows" . . . excellent value.



FINE WOOD FILING CABINETS FOR OFFICE AND HOME
The beauty of fine wood furniture is combined with the exclusive Tri-Guard filing principle in these outstanding Globe-Wernicke wood filing cabinets. Available in 2, 3 and 4-drawer sizes. Finishes: genuine oak, walnut or mahogany, revealing all the charm and warmth of wood.

The Globe-Wernicke Co. . . CINCINNATI, O.

Labor Stands Aside for National Defense



A.F.L. electrical workers — picketing the Circle Wire and Cable Co. of Long Island, N. Y.—stood aside last week to let truckloads of cable leave the plant for the Brooklyn Navy Yard. Meanwhile, in Jamestown, N. Y., members of the C.I.O.

electrical workers union—not to be outdone by their rivals of the A.F.L.—relaxed a strike at the Dahlstrom Metallic Door Co. in order to enable union members to crate airplane struts for shipment to the Aeronautical Corp. of Cincinnati.

Dues are 25¢ or 35¢ a week of which the international gets 15¢. Benefits range from health centers to educational programs.

American Federation of Teachers: The union allows each local to determine initiation and dues. The big New York local charges a \$2 initiation fee and collects \$1 a month from its members for dues. Per-capita payment to the international is 5¢ a month. Many A.F.T. locals charge 1½% of the member's salary with a maximum of \$5 as the upper limit.

International Longshoremen's Association: Charges are \$25 for initiation and \$5 a quarter for dues.

International Printing Pressmen and Assistants Union: In the newspaper field this union has an initiation charge of \$15, and dues are \$4 a month. Death payments and old age pensions as well as a home in Tennessee for superannuated pressmen are additional benefits of membership.

International Seafarers Union: Successor to the old Sailors Union of the Pacific, this organization charges \$10 for joining and \$1.50 a month for dues. Members are entitled to burial expenses, and an \$85 death benefit. If a member is hospitalized, the union pays his expenses and provides him with \$1 a week. In addition to dues, each member is assessed \$2 annually for the hospital fund.

International Typographical Union: This union has a novel system for scaling the initiation cost to the joiner's age. Because the union pays out high death benefits, the initiation cost is lower for younger printers. Thus, the rate for joining is \$32 if the printer is under 25, \$35 if he is between 25 and 35, and \$40 if he is over 35. Dues in New York City are 5½% (in smaller cities, they are less) of weekly earnings, and death benefits vary with length of

membership. Unemployment and health insurance accrue to members and the International maintains a sanitarium and home at Colorado Springs.

In contrast with the old line A.F.L. organizations, the newly organized C.I.O. unions, as a general rule, forswear elaborate benefit and insurance provisions, and as a consequence collect lower fees. Some representative C.I.O. groups are the following: The Steel Workers Organizing Committee—\$3 initiation and \$1 a month dues; the United Automobile Workers—\$2 for initiation (\$1 of it for the international) and \$1 a month dues (40¢ per-capita); the Textile Workers Union—locals set their own rates, but \$1 on all initiations and \$1 a month on all members' dues goes to the international. Beyond these amounts the local is free to establish its own rates.

Two C.I.O. craft unions, both in the white collar field, are the Federation of Architects, Engineers, Chemists, and Technicians and the American Newspaper Guild. The F.A.E.C.T. limits its locals to an initiation charge of \$10 or less of which \$2 is sent to the parent body. It exacts a 50¢ per month per-capita on dues and forbids its affiliates, by constitutional provision, to charge more than \$2.50. The Newspaper Guild scales its dues and initiation fees to salaries and sends its national office a per capita of 75¢ a month.

Other representative C.I.O. unions and their rates are as follows:

United Office and Professional Workers: Initiation is limited to \$3, but \$2 is the prevailing fee. Dues are fixed by locals

with \$2.50 as the most practical high and \$1 a month as the most common. Per-capita payment to the national body is \$1 from the initiation toll and 50% of dues.

United Wholesale and Retail Employees: No dues or initiation fees are collected from members until contracts are signed with employer. It is not an uncommon practice in an organizing campaign for a new union to waive charges in this manner. After a contract is signed the U.W.R.E. allows each local to fix its own fees, and these range from an initiation fee of \$1 for department store employees to \$25 for grocery and shoe clerks, whose contract guarantees them 50 weeks work a year and whose local provides health and unemployment insurance. Dues vary between \$1 and \$4 a month, depending on the wages of the member, and the national office collects 40¢ per month per member from the locals.

Amalgamated Clothing Workers: Dues range from 25¢ to 50¢ per week depending on the earnings of the member. The parent organization takes 70¢ per month in per capita, and initiation charges may not exceed \$10. The Amalgamated locals work out their own benefit and insurance plans which are sometimes financed by the national treasury.

Transport Workers Union: Initiation fee is \$3.25. Dues are \$1.25 per month for workers earning less than 77¢ an hour and \$1.75 for those earning more. On the lower dues category the national office collects 50¢ per-capita; on the higher, 75¢. Each local has the authority to work out its own benefits plan, and if the plan proposed by the local union is adjudged financially sound by the parent body, the national treasury will match the money put up by the local on a 50-50 basis to establish sickness, death, and health insurance schemes. In the New York local, for example, a free medical service is supported by a semi-annual assessment of \$1. Actually the assessment is in the form of a ticket to a union dance, purchase of which is compulsory for each member. The New York local also runs a credit union, and offers the service of a legal staff without charge to its members for all legal aids necessitated by problems of citizenship, workmen's compensation, and civil service ratings.

United Electrical, Radio, and Machine Workers: This union allows its local units to fix initiation charges between \$2 and \$7. In an organizing campaign, or in a plant where less than 75% of the workers are union members, the initiation fee is waived. Dues are \$1 a month of which 30¢ is paid to the international in per-capita. What happens to the U.E.R.M.W. 30¢ per capita is typical of how these funds are handled by most new unions. Of the 30¢ received—for each member each month, 5¢ goes to the C.I.O. to support the work of the Congress; 5¢ is allocated for the publication of the weekly union newspaper, which is sent free to every member; 3¢ goes into a "strike fund", the union's war chest; and the remaining 17¢ is added to the "general fund" out of which officials are paid, organizers maintained, and the work of the national union financed. The locals pay their own way out of the 70¢ per member per month which they keep in the local treasury.

TVA Signs with A.F.L.

First contract with government agency means closed shop in practice, but not technically.

LAST WEEK the Tennessee Valley Authority became a party to the first labor contract ever signed by a government agency. In an agreement with 15 American Federation of Labor unions, TVA pledged itself to these provisions: (1) complete recognition of the Tennessee Valley Trades and Labor Council, which is the central organization of the 15 building and metal trades locals, (2) the five-day week and the union wage scale, (3) the speedy handling of grievances and the submission of those not satisfactorily handled by the TVA personnel department to a joint TVA-union adjustment board, (4) an apprenticeship system to be administered by the unions, (5) an arrangement whereby TVA will make work assignments on a basis determined by the jurisdictional agreement between the 15 unions, (6) automatic contract renewal a year hence.

"Protection for the Worker"

In return, the unions pledged themselves to settle all jurisdictional problems amicably, to forswear striking, and "not to encourage or sanction employees leaving the service" pending the settlement of any dispute by the arbitration machinery that is provided in the contract.

The right to hire is still vested in TVA's personnel department, which examines and passes on applicants like other government agencies without requiring union membership as a condition of employment. Thus the contract does not technically establish the closed shop, but it has the effect of the closed shop in practice. In the words of David Lilienthal, TVA Director, "because of the arbitration features of the contract, it would be a protection to the worker to become affiliated with a union." With such a cooperative attitude manifested by TVA's administration, the unions are expected to press their advantage and unionize all TVA craftsmen, about 8,000 of whom are now covered by the agreement.

Promotes Industrial Unity

In commenting on the contract, Mr. Lilienthal said the arrangement "furthered the cause of industrial unity and welds labor and management together to maintain the terrific pace made necessary by the national defense program. I wouldn't trade this contract for one of our big dams."

Conferences leading to the agreement have been in progress for more than a year, with major assistance from Otto S. Boyer of the National Mediation (railroads) Board, and the finished document

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Scorecard on Unemployment Compensation

How much states have paid out in benefits; how much they've collected, and as the final tally, how much they now have in their reserve funds.

STATES	What the state: have paid out in benefits††	What they have collected since they began paying benefits††	For each dollar collected since benefits began each state has paid out:	How states rank in order of benefits paid out in relation to amounts collected since benefits began	What the states have collected all told (Figure includes tax receipts before state started paying benefits)††	For each dollar collected, all told each state has paid out:	How states rank in order of benefits paid out relative to total amount collected	How reserve funds stand today††	Date each state started to pay benefits:
	000 omitted	000 omitted			000 omitted			000 omitted	
Alabama.....	\$14,823	\$19,843	\$0.75	18	\$29,261	.51	11	\$14,439	Jan. 1938
Arizona.....	4,123	5,016	.82	12	7,161	.58	6	3,037	Jan. 1938
Arkansas.....	3,484	5,169	.67	25	10,719	.33	31	7,235	Jan. 1939
California.....	97,330	177,322	.55	35	251,450	.39	26	154,099	Jan. 1938
Colorado.....	5,960	7,459	.80	14	16,776	.36	29	10,815	Jan. 1939
Connecticut.....	20,716	39,013	.53	36	55,579	.37	28	40,080†	Jan. 1938
Delaware.....	1,240	3,636	.34	47	7,744	.16	48	6,504	Jan. 1939
Florida.....	6,028	9,947	.61	29	20,272	.30	34	14,245	Jan. 1939
Georgia.....	5,412	12,528	.43	43	28,713	.19	41	23,302	Jan. 1939
Idaho.....	4,009	3,465	1.16	1	6,607	.61	3	2,598	Sept. 1938
Illinois.....	40,852	69,595	.59	30	228,083	.18	44	187,231	July 1939
Indiana.....	31,955	43,008	.74	19	71,742	.45	18	39,787	Apr. 1938
Iowa.....	10,381	16,020	.65	28	26,605	.39	25	16,225	July 1938
Kansas.....	3,543	7,753	.46	38	18,405	.19	41	14,862	Jan. 1939
Kentucky.....	7,325	16,461	.45	40	36,272	.20	40	28,947	Jan. 1939
Louisiana.....	13,170	23,687	.56	33	32,132	.41	21	18,962	Jan. 1938
Maine.....	9,480	9,312	1.02	6	13,251	.72	1	3,771	Jan. 1938
Maryland.....	19,700	28,634	.69	22	38,409	.51	11	18,710	Jan. 1938
Massachusetts.....	62,543	93,627	.67	25	138,921	.45	18	76,378	Jan. 1938
Michigan.....	88,574	84,036	1.05	4	149,607	.59	5	61,033	July 1938
Minnesota.....	22,148	32,958	.67	25	45,939	.48	16	23,791	Jan. 1938
Mississippi.....	4,056	5,295	.77	16	8,399	.48	16	4,343	Apr. 1938
Missouri.....	9,329	29,616	.32	48	65,335	.14	49	56,005	Jan. 1939
Montana.....	2,955	2,689	1.10	2	9,065	.33	31	6,110	July 1939
Nebraska.....	2,468	5,472	.45	40	12,891	.19	41	10,422	Jan. 1939
Nevada.....	1,488	1,395	1.07	3	2,982	.50	13	1,494	Jan. 1939
New Hampshire.....	5,734	6,892	.83	11	11,417	.50	13	5,683	Jan. 1938
New Jersey.....	24,161	69,829	.35	46	139,908	.17	46	115,748	Jan. 1939
New Mexico.....	1,846	2,129	.87	8	4,701	.39	25	2,854	Dec. 1938
New York.....	217,128	305,814	.71	20	413,121	.53	9	195,993	Jan. 1938
North Carolina.....	14,907	26,620	.56	33	36,841	.41	21	21,935	Jan. 1938
North Dakota.....	964	1,401	.69	22	3,380	.29	35	2,415	Jan. 1939
Ohio.....	38,544	85,274	.45	40	187,843	.21	39	149,298	Jan. 1939
Oklahoma.....	6,449	9,360	.69	22	22,593	.29	35	16,145	Dec. 1938
Oregon.....	12,779	14,881	.85	9	21,124	.60	4	8,345	Jan. 1938
Pennsylvania.....	152,225	191,719	.79	15	267,184	.57	7	114,959	Jan. 1938
Rhode Island.....	20,233	21,365	.95	7	29,779	.68	2	9,546	Jan. 1938
South Carolina.....	3,987	8,238	.48	37	14,927	.27	37	10,249†	July 1938
South Dakota.....	627	1,668	.38	45	3,740	.17	46	3,113	Jan. 1939
Tennessee.....	13,921	19,774	.70	21	28,154	.49	15	14,233	Jan. 1938
Texas.....	25,413	55,246	.46	38	77,208	.33	31	51,795	Jan. 1938
Utah.....	4,989	6,121	.82	12	8,840	.56	8	3,852	Jan. 1938
Vermont.....	2,017	3,508	.58	31	5,047	.40	24	2,703†	Jan. 1938
Virginia.....	13,266	23,397	.57	32	32,553	.41	21	19,288	Jan. 1938
Washington.....	12,150	14,244	.85	10	33,890	.36	29	21,740	Jan. 1939
West Virginia.....	18,155	23,983	.76	17	34,712	.52	10	16,557	Jan. 1938
Wisconsin.....	15,501*	36,387*	.43*	43	71,315	.22	38	53,667†	July 1936
Wyoming.....	2,018	1,961	1.03	5	4,452	.45	18	2,434	Jan. 1939
District of Columbia.....	4,131	16,793	.25	49	23,445	.18	44	19,314	Jan. 1938
Total.....	\$1,104,257	\$1,699,560	\$0.65	..	\$2,808,494	\$0.39	..	\$1,700,291†	

* Excludes benefits paid prior to Jan. 1, 1938.

†† To June 30, 1940.

Data: Social Security Board.

† Figure for total collections less benefits does not quite equal amount in reserve fund.

institutionalizes many practices, like annual determination of wage rates by joint negotiations, which have prevailed since the Authority began its work in the Tennessee Valley. It is to a program of "responsible collective bargaining and constructive joint effort" that TVA officials attribute the fact that their six years of operation have not been disturbed by labor trouble.

N.A.M. Labor Study

Employment institute will explore union relations in 11-day program at Burlington, Vt.

INDUSTRIAL RELATIONS executives and personnel men will gather at Burlington, Vt., on Aug. 19 to participate in an Institute on Employment Relations sponsored by the National Association of Manufacturers.

As a first in the association's practice, the meeting is notable because it initiates the residence-institute method for N.A.M. conferences. The matriculants, who will be guests of the University of Vermont, will live in one of the college dormitories for an eleven-day session. N.A.M. discussions in the past have been confined to after-luncheon meetings, evening confabs, or convention sessions.

But of far greater interest, and perhaps signifying an important new turn in N.A.M. policy, is the subject matter of the Burlington meeting. The conference will explore such topics as grievance handling, company labor policy, trends in labor agreements, the foreman's responsibility in labor relations, and other kindred problems. The subjects selected for intensive study, many of them novel for an N.A.M. program, indicate that at least a section of N.A.M.'s membership is interested in the mechanics of dealing more directly with labor unions. Attendance is limited to 150, who pay a registration fee of \$50 plus room and board. All college accommodations have been oversubscribed, marking the degree of interest in the subject.

The conference will bring to Burlington as leaders and speakers such men as John W. Riegel, Director of the University of Michigan's Industrial Relations Section; Henry C. Metcalf, Director of the Bureau of Personnel Administration; Sumner Slichter of Harvard; and T. H. A. Tiedmann of Industrial Relations Counselors. The work and interests of these men would fit them equally well to address a group of labor leaders. In addition, discussions will be led by some of the country's top personnel chiefs.

Workers Give Up Mill

A COOPERATIVE BUBBLE burst last week when two of 33 hosiery worker-owners of the Hulby Hosiery Corp., asked a



350-Ton Whiting gantry—the world's largest single book crane—at Ariel Dam, Washington

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WHITING



OVERHEAD TRAVELING CRANES

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federal court for two receivers to take over the business and got them.

According to the motion filed by Joseph H. Settle and Conrad C. Praediger, officers of the mill, the project was losing money because of no orders, and neither they nor their fellow worker-owners had sufficient "executive ability" to conduct the business. The concern is solvent, having liabilities of \$16,300, and assets of \$16,740.

The mill was one of several in a co-operative venture started in the spring of 1939 by the Rev. Joseph C. Colony (*BW—Oct 14 '39, p. 52*). He has now dropped out of most of the mills as a result of lively differences with Branch I, Hosiery Workers' Union, C.I.O., which accused him of setting up a mill empire to its detriment.

Boeing Tieup Averted

SIDNEY HILLMAN, labor member of the National Defense Advisory Commission, scored another victory last week in liquidating a potentially dangerous labor disturbance—Boeing Aircraft of Seattle vs. the International Association of Machinists (A.F.L.). A tieup that might seriously have affected the defense program (*BW—Aug 10 '40, p. 43*) was averted at the zero hour.

The settlement formula, simple and direct, has been accepted by both the workers and the company. It provides that all points on which the negotiating committee of the union and the management are now in agreement are to be accepted by the management and that all points not agreed upon shall be submitted to arbitration for final decision.

P. S.

NLRB TOOK ANOTHER round out of Ford last week when it ruled the company had engaged in "war" against union organization. The board ordered Ford to post notices in all plants stating that the company would desist from discouraging union membership by "physical violence" or "espionage." But NLRB's round is strictly a preliminary bout. Before the Ford case is settled there will be a long court action. . . . To SPEED UP defense production: (1) Navy yards went on a 48-hour week work schedule, paying time and a half for the added eight hours; (2) government arsenals became operative 24 hours a day and an extra shift was being hired which was expected to effect the reemployment of 25,000 skilled and semi-skilled mechanics. To get skilled hands quickly for arsenal jobs, the Civil Service Commission, which does the hiring, raised the age limit for new workers to 62—only three years from the retirement age fixed by statute for government employees. To hire workers of 65 years of age or over, which may be necessary, a special Act of Congress is required.

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Evil Days for Hides

Prices tumble below the pre-war level as stocks pile up in consequence of closed markets.

THIS WEEK HIDES were selling at 10¢ a pound in the open market with only a few takers. Not only had they lost all of their war-born gains—they jumped to 15½¢ last October—but they had actually fallen below their pre-war level of 11¢.

This performance is totally unlike that during the World War, when hides soared from 18¢ to 53¢ a pound in wild bidding. But this war has closed markets, whereas the last war brought European demand for our production. What's happened, specifically, is that South American hides, finding no outlet in that continent, have backed up in this market.

Already more than 12,750,000 hides, or eight months' supply, are crowding our warehouses, while 8,000,000 surplus hides are held in South America and more are being piled up there at the rate of about 1,000,000 a month. These will have to be dumped some place, and there are well-grounded fears that the United States is the logical dumping ground.

The war has cost South America a market for 70% of its hides. That amount, 11,000,000 hides annually, was

sent by our neighboring continent to Europe and southern Mediterranean countries before shipments became impossible. Germany alone took 27% of those cargoes.

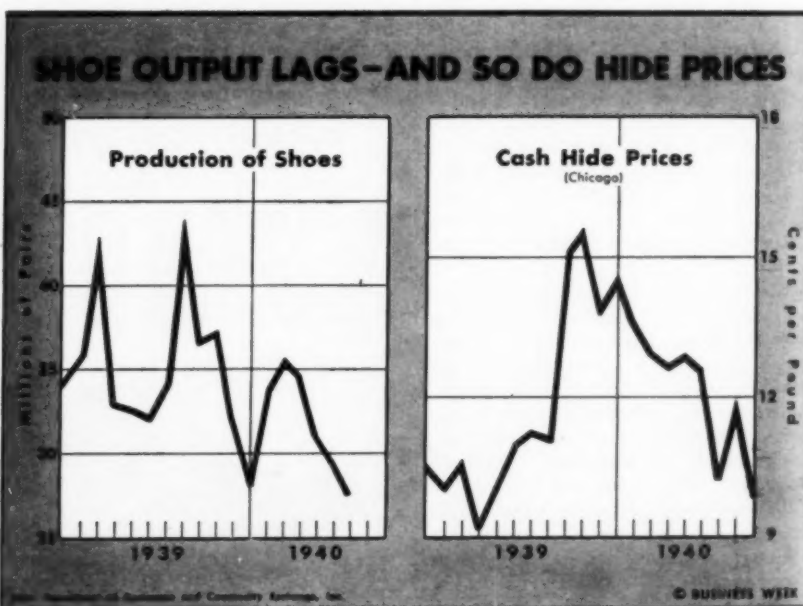
United States imports from Argentina alone in the first half of 1940 totaled 914,000 hides. In June, that country's exports to us were almost triple the shipments of June, 1939.

The United States' net imports of hides from all sources in the first half of this year amounted to 1,585,000. This was the largest figure for the period in the last eight years. The only thing which might be counted on to reduce the influx of foreign hides would be smaller cattle slaughter in countries such as the Argentine due to the fact that those nations have lost much of their European beef market along with that for hides.

A Hapless By-Product

The situation has not been helped by the second largest inspected steer slaughter in the U.S. in 18 years. Hides are hapless by-products and lower prices do not discourage their production.

As for demand, 90% of domestic consumption is for shoes and other footwear, the need for which is relatively stable from year to year. However, boot and shoe production last year reached an



Shoe factories in the United States overproduced in 1939, and 1940 production has been suffering as a result, as the chart (above, left) shows.

Employment in the leather industry, accordingly, has been running about 5% under a year ago. And hide prices have flopped from '39's peak.



Goodyear Tire & Rubber this week advanced Edwin J. Thomas (above) to the presidency. P. W. Litchfield, with the company for 40 years, relinquishes the job at 65 although he will continue as board chairman and chief executive officer. The new president, born in Akron 41 years ago, joined the company as a stenographer at 17 and worked up to executive vice-president.

all-time high of 424,136,000 pairs. The result was that a lot of shoes manufactured in 1939 remained to be sold in 1940. Retailers this year have been selling substantially from stocks, which has adversely affected manufacturing, and the slower factory rate has had its effect on the demand for hides.

Total output of boots and shoes in American factories amounted to 192,208,000 pairs in the first half of 1940 compared with 211,079,000 in the corresponding 1939 period. June's figure of 27,586,000 pairs was the smallest for any month in two years. The trade believes that July witnessed a moderate gain, and the hope is that excess stocks now have been pretty well cleaned up so that the shoe factories can increase operations over the remainder of the year.

Some hide traders look upon the proposed loan by the Export-Import Bank to South America as a price-strengthening factor. Others predict that it would result only in greater markets for beef and consequent increase of hide surpluses. Only real solution would be cessation of war in Europe and reopening of European markets. Until then, traders fear that prices will crawl near present low quotations.

Copper Output Soars

Production runs ahead of domestic demand plus exports and adds to industry's price problems.

THE AMERICAN COPPER INDUSTRY made quite a mark in point of production in July. The Copper Institute's figures, made public this week, show that the output of refined copper hit almost exactly 91,000 tons, a total exceeded in only one month since the figures have been compiled on the present basis.

The copper industry's top production for the 1930's was 95,265 tons in May of 1937. That's the only monthly total since 1929 to top July of 1940.

Those who choose to look at this country's potential copper output in terms of national defense no doubt will be very pleased with the July production. On the other hand, there is one thing wrong with the high figure: It exceeded by a substantial margin domestic demand plus exports. In fact, 16,237 tons were added to available stocks of copper and this overproduction probably helps to account for some of the price troubles of recent weeks.

Users of copper in this country took delivery on 71,226 tons in July, and the month's deliveries probably very closely approximated actual consumption. Exports, however, amounted to only 3,532 tons, marking the second consecutive

month of drastically curtailed shipments to foreign countries. Thus, even though domestic consumption above 70,000 tons is considered quite good, stocks were augmented for the sixth consecutive month.

After war broke out last year, supplies of refined copper dropped from 316,514 tons to 135,441. The low was at the end of last January. Ever since that time production has run in excess of 80,000 tons a month whereas consumption has averaged a bit under 70,000. Notwithstanding fairly large exports in the first five months of the year, stocks have been built up to 215,823 tons or the equivalent of about three months' supply at the present rate of consumption.

Weights on U. S. Market

These stocks of copper aren't burdensome, really, but they will look large just as long as buyers maintain their very cautious attitude. And, even though foreign copper is selling plenty high enough in relation to domestic so that it can't climb our 4¢ tariff wall, metal produced abroad is weighing on the market here.

Primary reason is that foreign copper, shut off from most of its European markets, is offered about a cent cheaper than American. If a manufacturer in this country can buy Canadian or Chilean copper at 10¢ when domestic is 11¢, he might do it to fill export orders for copper products. True, he would have to pay the 4¢ duty, but when he shipped

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the fabricated product he would make back the approximate amount of the tariff as a "drawback" from the government. The net result would be to give the manufacturer of export products an advantage of about 1¢ a lb. on his raw material by using the foreign metal.

Pity the Poor Pound

FOREIGN EXCHANGE MARKETS are terrific war sufferers. The British pound has lost what little claim it retained to the title of No. 1 international currency, and many cable rates, including the franc, belga, guilder, and krone, no longer are quoted in this country. Exchange dealers trade only in banknotes of the invaded countries, and then strictly on a supply-and-demand basis (with demand

decidedly limited). The official rate for sterling in London is \$4.03 and the "free" pound has been hovering around \$3.98. But if you plunk down a British banknote at your bank's exchange counter you probably will find that it will bring less than 83. War risk insurance now runs 40¢ a pound on shipments from New York to London, and that's one of the reasons the British notes go begging.

The "official" rate for French francs is 82.29 a hundred, but banknotes have been hobbling around wildly all the way from \$1.25 to \$1.50.

P. S.

A MAJORITY INTEREST in the Newport News Shipbuilding & Dry Dock Co., recently bought out by a group of in-

vestment trusts (*BW—May 18 '40, p. 24*), was sold to the public this week. Offering came just before the stock market dip occasioned by the intensified attack on England, and the shares were over-sold quickly. The price at which the preferred and common shares were marketed puts a value of \$25,760,000 on the property, which now has enough orders to keep it busy for eight and one-half years. . . . CONGRESS this week pushed through two pieces of legislation which are vital to the financial community as had been anticipated (*BW—July 13 '40, p. 41*). These are the bill for regulation of investment trusts and the amendment to the federal securities laws modifying the 20-day waiting period heretofore compulsory before public offering of new issues of stocks and bonds.

New York and London Disagree

MARKET PLACES of the world were confronted with a striking paradox on Tuesday of this week. Stock prices in New York broke fairly sharply due to intensification of Germany's attack on Britain but share values in London rose a bit.

Many observers reasoned that English investors ought to know better than American just how serious was the threat to England's existence. But, as Al Smith used to say, "let's have a look at the record."

If you will take the period from May 1 through June 30 you will find that American operators came a lot closer to realizing in advance the real significance of German successes. Britishers either were so dazed that they couldn't believe their own eyes or else they felt it was their patriotic

duty to throw money to the support of the market. Whichever is the true explanation, a study of stock price averages in New York and London will reveal at a glance that Americans quickly appreciated the crushing character of the Allied defeat.

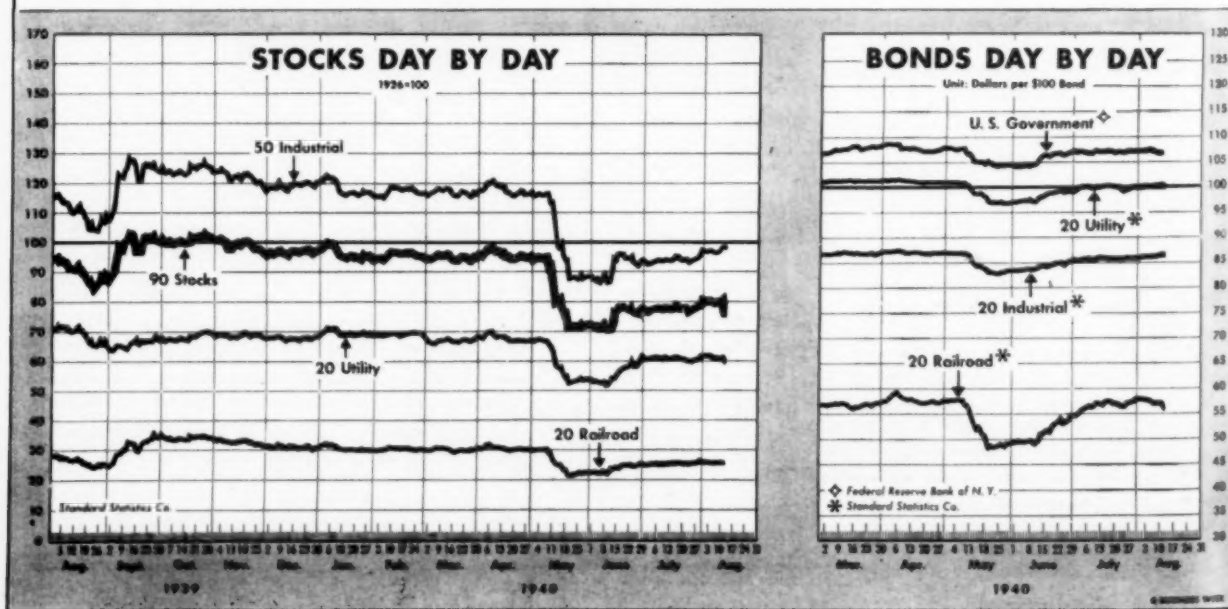
From the start of the invasion to the capitulation of Holland, the Standard Statistics average of 50 American industrial stocks cracked 18.1 points or 15.4%; in the same period, the *London Financial Times* average broke only 3 points or 3.2%. From the invasion of the Low Countries to the surrender of Belgium, American stocks crashed 29.2 points or 24.8% while values in Britain were down only 12.6 points or 13.3%.

In fact, the New York market had almost reached its low before the end

of May, whereas the crash in London values continued until June 26. From the evacuation of Dunkerque on June 3 to June 26 American stocks rallied 6.2% while London quotations dropped a further 15.9%.

The whole drop in New York prices came between May 10 and May 21, and it amounted to almost exactly 30%. On the other hand the London market had experienced only a small part of its decline during those first 11 days of the blitzkrieg, by far the largest part of the total drop of 35.4% coming in the period from May 21 to June 26.

These figures demonstrate about as well as any evidence could that the stock market in this country is making up its own mind instead of waiting to see how London takes things.



August 18, 1940, p. 24).
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Aug.
BUSINESS WEEK



British Press

Britain, fighting the greatest battle in her history, this week instructed her Viceroy of India, the Marquis of Linlithgow, to offer India "full

Dominion status after the war" if the country is willing to come to Britain's aid immediately with all its wealth and manpower.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

World Listens To Britain's War

National Socialist Reich's thrust for quick decision brings reaction in markets. Business also watches moves on Continent to set up "Greater Germany."

LONDON newspaper headlines scream the "Blitzkrieg Is On."

Berlin news sheets say "the most decisive battle in history" has started.

First moves came when fleets of German bombers raided England's southern and eastern coasts and Nazi parachutists were dropped in vital industrial cities in the British midlands.

Air sirens screamed in Berlin as adventuring British planes threatened the Hitler capital in a bold night attack and British raiders have sowed bombs over German-held military objectives from Jutland to the Bay of Biscay.

Despite the tightly drawn curtain of the censorship on both sides, it is plain that Hitler has launched his Battle for Britain, and the immensity and intensity of the attack indicate that Nazi strategy has not changed. Aim of the

high command is to win a lightning decision; Germany has neither organized nor laid in supplies for a long war. Authorities acquainted with Nazi military leaders declare that Hitler has said it would require a minimum of four days and a maximum of four weeks to "bring London to terms."

Though the spearhead of the German attack is aimed at England, blows at various parts of the Empire have been timed so as to make it impossible for the British to call on reserves of ships and men scattered from Gibraltar to Singapore. Italy's main drive is concentrated in Somaliland in an effort to cut off British supplies for the eastern Mediterranean forces headquartered at Haifa, Suez, and Alexandria by blockading the Red Sea at Aden.

In the Far East, after closing the

SHOULD YOUR COMPANY MAKE LOANS TO EMPLOYEES?

NEARLY every employe has at some time unusual expenses—a big hospital bill, for instance—which he can't meet out of savings or current earnings. His only way out is to borrow. But where? From his friends? His friends probably have their own money problems. From the company? Your company may feel that it hasn't the resources or the experience properly to finance the emergency needs of all your workers.

Where workers may borrow

To take care of this problem is the job of the modern family finance company like Household Finance. At Household the responsible worker can borrow up to \$300 largely on his character and earning ability. No endorser or bankable security is needed. No wage assignment is taken. The transaction is regulated by state law for the borrower's protection. Last year Household Finance made over 800,000 loans to workers in all branches of industry.

Borrowers at Household repay their loans in convenient monthly installments. Thus they can get out of debt without sacrifice of living standards. Below are some typical loan plans. Monthly payments include all charges. Charges are made at the rate of 2½% per month (less in many territories on larger loans). These charges are substantially below the maximum allowed by the Small Loan Laws of most states.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	18 mos. loan	24 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in Maryland and several other states. Due to local conditions, rates elsewhere vary slightly.

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Household does more than just lend money. Borrowers receive practical guidance in money management and better buymanship. This service has helped thousands of families to get more for their dollars and to avoid unnecessary debt. Many schools use Household's publications on budgeting and buymanship as texts.

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Burma Road to supplies for China, London has further capitulated to Japan by agreeing to withdraw all armed forces from Tientsin and Shanghai. This means the end of special British concessions in China, except at Hongkong. Settlement of that issue will depend on the outcome of the battle now raging over England.

In the Mediterranean, Italy has demanded that Greece abandon its special ties with Britain. Insiders in Rome know that Mussolini intends to occupy the Yugoslav coast and dominate Greece and Egypt as a part of his scheme to make the Mediterranean an Italian sea.

Economic Bases of a Promise

In India, richest of Britain's colonial possessions and a market coveted almost equally by Germany and Japan, political leaders are debating the merits of London's bid for full wartime support in return for the promise of Dominion status immediately the war is over. Britain's sudden offer is understandable. India has large supplies of both iron ore and coal and in recent years has developed a steel industry which could supply defense needs in both Africa and the Far East if Britain's home plants were bombed into inactivity or cut off from the Empire.

World reaction to the new crisis was immediate and widespread.

While prices on the London Stock Exchange remained firm, both stock and commodity prices slumped seriously in New York. Investors no doubt had one eye on their half billion dollars of direct investments in the United Kingdom which are jeopardized now by bombings and threatened with confiscation should Britain be forced to capitulate, and the other eye on the possible loss of the British market for American goods. Since the surrender of France and extension of the blockade to include virtually all of Continental Europe, more than half of this country's European exports have been consigned to Britain.

No "Softening Up"

Despite the fury of the attack, Britain showed no signs this week of "softening up." More than 30,000 men were demobilized when it was proved that their skill as mechanics was needed more than their manpower in the army.

Private firms have been warned by the government that unless they set up extensive employee-training schemes, the government will compel it. And factories which are not "essential" will be compelled to shift to armament production or to give up their skilled workmen to the munitions plants.

British orders placed in the United States passed the \$2,000,000,000 mark this week, but Lord Beaverbrook's optimistic prediction of a few weeks ago that the United States had agreed to supply Britain with 3,000 planes a month was thoroughly deflated last week by Administrator Knudsen of the De-

fense Commission who admitted it would be the end of 1941 before this country could deliver even half that number on a regular monthly schedule.

What business is watching just as closely as the attack on England is the way newly-acquired territories are being fitted into the pattern for Greater Germany. In each region, the Germans have decreed a fixed rate of exchange between the kroner, or the guilder, or the franc and the German mark. Tradesmen are forced to accept payment in German marks at this rate. This week banking officials from Belgium and Holland agreed in Berlin to clear all balances through the German capital and projected European financial center. Ultimately the marks which accumulate in the banks of the occupied territories are invested in German government bonds, which means a widening of the base on which the financing of the German campaign rests.

What is happening to American branch plants and selling agencies in occupied territory is not known definitely. BUSINESS WEEK, in a quick survey of 30 large American companies, found only three

with any word from their subsidiaries. None was making any plans for the future until the outcome of the present battle is known.

Diplomatic Exit

Executive's resignation accepted following publicity over friendship with German agent.

THE PUBLIC RELATIONS factor in business got sharp emphasis this week in the announcement of the Texas Corporation's board of directors that, "with real regret," they had decided it was advisable "under existing circumstances" to accept the resignation of Capt. Torkild Rieber, chairman of the company since 1933, employee for the last 35 years.

"Existing circumstances" referred to the hue and cry raised initially by the *New York Herald Tribune* over the activities of Dr. Gerhard Alois Westrick, trade counsellor to the German Embassy, occasional legal representative of the Texas Corp. in Germany in the past, at present popularly regarded as Hitler's emissary to American business. Part of the existing circumstances was the record that Capt. Rieber, who visited Germany last winter, had advanced money for the purchase of Dr. Westrick's car, helped him to obtain a license and otherwise to get established in New York and in a home in Westchester. All this went on the record when, subsequent to the newspaper excitement, the New York Motor Vehicle Bureau revoked the trade counsellor's car and driving licenses on charges that he had omitted to state that he had an artificial foot (result of a World War wound), had falsely given the offices of the Texas Corp. as his place of business, had claimed ownership of the car, and had failed to notify the Bureau of a change in residence.

Mentions "Unjust Criticism"

Upshot was a statement by Capt. Rieber that "in view of the harm done to the company by reason of the unfair and unjust criticism which has appeared recently in the press, I feel it my duty . . . to resign;" also a statement that the Texas Corp. has had no investment in Germany in more than 20 years and had delivered no oil, directly or indirectly, to the German government since before the present war started.

Another inevitable result of the episode—which included publication of names of business executives whose car licenses were observed at Dr. Westrick's door—will be the conclusion that, while governmental contacts with German government representatives continue to be good diplomatic policy, private contacts of the same character are bad public relations—even if you are as publicly pro-Ally as some of those exposed to Dr. Westrick's views have notably been.

A Double-Header



Wide World

James A. Farley—quitting national politics—took his first step back into private life this week when he accepted a position as chairman of the board of Coca-Cola Export Corp., where he will be in charge of sales promotion abroad. At the same time, Wall St. also announced it would finance purchase of the New York Yankees, with the Postmaster General scheduled to assume the duties of chairman of the board of the giant baseball empire, long controlled by the late Jacob Ruppert.

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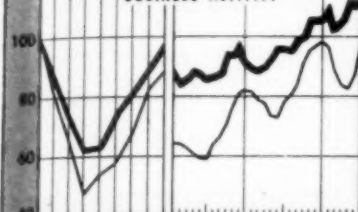
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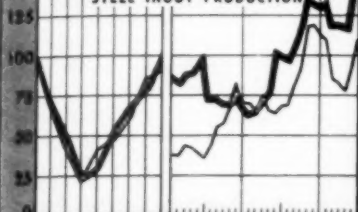
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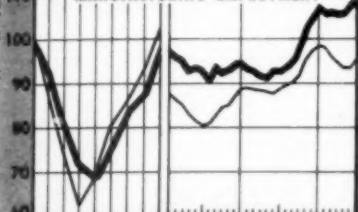
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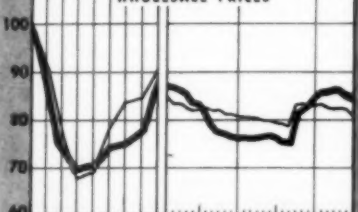
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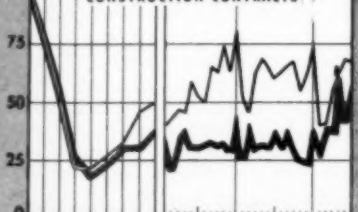
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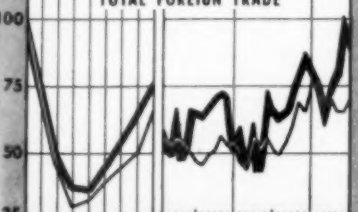
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TOTAL FOREIGN TRADE



© BUSINESS WEEK

Dollars for Canada

Pickup in tourist trade lessens the chances for forced liquidation of American securities.

OTTAWA (Business Week Bureau) — Canada's tourist business is showing a decided upturn from the abnormally low levels which obtained earlier in the summer. Late summer visitors, traditionally better spenders, are coming in increased numbers, raising hopes that Canada's net balance of international payments from tourist revenue may nearly equal the \$166,000,000 reported for last year.

Americans won't spend anything like the \$275,000,000 they left in the Dominion last year. But the exchange ruling which forbids pleasure trips by Canadians across the line will save an estimated \$75,000,000, which, when added to the amount Americans are spending this year, will leave the net situation much the same as it was in 1939.

The favorable turn in the tourist business is important to Americans because it lessens chances of Canada's being forced to undertake large-scale liquidation of Canadian-held American securities in order to get dollars for the purchase of war materials from the United States. Such a step would be costly to Canadian as well as American investors at present low securities market levels, but it may become necessary if such sources of exchange as increased mining of gold, higher tariffs on incoming American goods, the ban on outgoing tourists, and the profit from incoming ones cannot keep pace with increased purchases of airplane engines and machine tools from the United States.

Publicity Work Helps

Factors in the poor showing Canadian tourist business made in the early summer were the cool weather, which made northern resorts less attractive to Americans, and, equally important, false rumors and misconceptions about the treatment of tourists in a country at war. Visitors returning to the States and improved publicity work by the Canadian government, hotels, banks, and transportation agencies have largely dispelled the rumors of red tape and inconvenience caused tourists by war-time restrictions.

Odessa-Danzig Waterway

OIL AND FOODSTUFFS from southern Russia can now be carried by barge to German Baltic ports (BW—Jun 1'40, p. 47). Dredging of the Bug River in the former Poland was completed last week and the Dnieper-Bug-Vistula waterway, connecting Odessa and Danzig, was opened to traffic on Aug. 10. Berlin and Moscow authorities expect the canal will carry a million tons of freight a season.

As many bulky cargoes as possible

CONGESTION Costs Money



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Standard Conveyor engineers can plan and install conveying equipment in your plant that will speed production, lower costs, save unproductive man-hours. They have assisted thousands of manufacturers to build additional profits "inside the plant" by the elimination of time and money-wasting congestion in the handling of materials.

Tell us what you handle — how much — how far — our recommendations will prove worth while. We will also send our bulletin, "Conveyors by Standard," to give you an insight on what Standard has done for other manufacturers.

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will be shifted from the overworked railroads to the new canal system.

Defense Viewed Locally

IS YOUR CITY PUZZLED over the adjustments it must make to fit into the national defense program?

The American Municipal Association has just completed a study of recent experiences of British cities ("The British

Defense Program and Local Government," 55 pp., 75¢) which tells what happened to finances, what new duties were assigned to police and fire departments, how air raid precautions were organized, and how rationing is administered. Even before the end of 1939, one out of every 40 persons in Britain was enrolled by local governments in emergency civil defense work, most of them on a voluntary basis.

BRIEFED FROM THE CABLES

BERLIN (Wireless)—Hitler is losing no time in making Berlin into the financial capital of Europe (*BW*—Aug 10'40, p. 54). Reich banking authorities announced this week that Belgium and Holland would begin immediately to clear all their trade balances through Berlin. Finance authorities from each of the countries of southeastern Europe are due in the Nazi capital any day to make similar arrangements. Insiders look on the Dutch and Belgian measures as the first step toward establishment of a central clearing headquarters for all European countries in Berlin, which is expected rapidly to become the commercial center for Neuropa (*BW*—Aug 3'40, p. 46).

Moscow (Wireless)—The Soviet press is suddenly giving the United States a play. Each new defense measure announced by Washington is described fully and each big new order for planes or tanks is recorded. But each article ends with the editorial warning that "it will take years before the United States can catch up with the arms program of the rest of the world."

To emphasize Russia's forehandedness in all defense lines, the Kremlin has started a new campaign—coincident with the harvest season—to build a "Stalinist food reserve of 128,000,000 tons of grain." Despite a late, wet spring the Soviets have already harvested nearly 50% of this year's crops. Yields are reported to be good in most districts, excellent in many sections of the Ukraine and Siberia.

OTTAWA (Business Week Bureau)—Dominion officials may shortly curtail imports of gasoline and oil from the United States in order to conserve foreign exchange and force speedier development of Canada's oil reserves in the Prairie provinces. Ottawa's latest war control is a ban on new

filling stations. Motorists have been assured that this is intended only to secure orderly conduct of the gasoline business and is not a forerunner of rationing as it has been applied in Britain and on the Continent.

LONDON (Cable)—In line with Britain's wartime "trend to the Left" (*BW*—Aug 3'40, p. 44), the government this week boosted the pay of soldiers from two shillings to two shillings and six pence a day in order to counterbalance higher tobacco and beer prices and increased postal and railway charges. . . . In an effort to meet the skilled labor shortage in the armament industries, the government is now requiring all skilled engineering workers to register. London is prepared to use its emergency powers to transfer workers where necessary. More than 30,000 skilled workmen have already been released from the army and a detailed investigation is still being carried on to secure further releases.

Moscow (Wireless)—Russia is working feverishly to reduce its dependence on outside supplies of strategic materials. During the first half of this year 800 geological parties have been scouring the country. Northeast of Vladivostok they have located what is believed to be Russia's largest tin deposit, but production is likely to be pushed first in a less vulnerable zone in Kazakhstan, where smaller deposits have been discovered. New oil, coal, antimony, asbestos, lead, zinc, silver, and arsenic reserves have also been surveyed in areas stretching from Leningrad to Vladivostok.

OTTAWA (Business Week Bureau)—Canadian consumers, and their American suppliers, have been figuring the cost to them of the new 10% war exchange tax on all imports from non-sterling countries—which means mainly from the United States. The tax, if this year's imports were the same as in 1939, will cost the Canadian grocery trade \$2,200,000 a year—all of which will be passed along to the consumer.

Biggest item is fresh fruit. Imports last year were valued at \$9,900,000, which means an added cost to Dominion consumers of nearly \$1,000,000. Fresh vegetables from the United States last year were worth \$4,600,000—which means another half million dollars on wartime living costs. The 10% tax on fresh tomatoes alone would run to \$120,000, on nuts to nearly \$150,000, and on coffee (from non-sterling countries in Latin America) another \$127,000.

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BLACK CORE
TOILET TISSUE**



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THE TRADING POST

About That Hitler Peace

IN ITS ISSUE of JUNE 22, BUSINESS WEEK passed on to its readers a report, prepared by its Staff Economist, on "The Economic Consequences of a German Peace." The widespread and thoughtful response to the observations and conclusions of that report is impressive evidence that responsible business executives and their economic counsellors are doing their own thinking on the subject.

Some of their comment and discussion, I believe, will be of exceptional interest to other readers, so I plan to devote some of this space to a selection of significant extracts from what they have had to say. Like most of BUSINESS WEEK's reader-correspondence, much of this comment is somewhat informal and obviously not written with a view to personal publicity. It's the ideas that matter so I shall withhold names, and offer only the views expressed, to be considered on their merits.

* * *

Editor of a leading statistical service:

"... I am sorry to say that I cannot quarrel with its decidedly unpleasant conclusions. The point you have made respecting Hitler's probable 'loss-leader' policy is the point so generally overlooked in this country; this is the whole crux of the story.

"The only question that arises is whether we should really think in terms of the longer trend of world business in the light of a victorious Germany, or whether we should not consider even a complete victory as merely the prelude to other wars. My mind goes back to the Napoleonic days.

"Where will the opposition arise? It may be within Germany itself. It may be from the British Empire beyond the seas, it may even be from this country alone. But I still cannot conceive of Germany winning the war and then all the world settling down to work out a basis of peaceful relationships and a resumption of international trade. . . . Quite possibly the final Hitler wars, like those of Napoleon, will be fought out on unexpected battlefields."

* * *

Industrial executive:

"I think you overlooked one very important fact—Hitler is really intelligent and has a sense of history not possessed by any other man in power in the world today. He will, for instance, not try to make good Germans out of Czechs.

"I traveled through most of continental Europe by auto two years ago and was tremendously impressed by what had been accomplished by the Germans. I was amazed to find that we here, as

apparently the people in France and England, have persisted in the belief that Germany's unity was only superficial and that it was only a question of time before the German nation would be in trouble. It is this silly, hopeful, Pollyanna attitude that permitted France and England to go to war against a nation that they never had a chance to beat.

"... arms and ammunition will not be an effective way to check Germany. The Germans will never waste five cents' worth of powder on us. Their economic pressure on us will, as you point out so clearly, be terrific. We shall never meet it with our strife between labor and management, and capital and government. Neither can we meet it with our short work-weeks and enormous taxes. The parasitic class in our country, which includes many in labor, business and government, takes such a heavy toll as to put us out of the running in the world economy.

"Our only salvation is to become a truly low-cost producing nation such as Germany, Italy and Japan. I wonder if we have the foresight to do it. If not, we shall eventually have the hardest times the people of our country have ever seen."

* * *

Official, Federal Social Security Board:

"I want to point out some aspects of this subject that are of particular interest to me and to the Social Security Board in connection with our future planning.

"It seems reasonable to assume that with a shift in the character of the production of goods and services, which will arise as a result of the defense program, there may be certain dislocations in industry and commerce which may increase unemployment in certain areas and thereby create new problems.

"This aspect of the situation must be watched very carefully and we are hopeful for the most part that we may be able to meet the situation through our state unemployment insurance laws. However, as you know, all of these laws are inadequate in terms of their benefit provisions. During the past couple of years the reserves of the states have been built up to a certain extent at the sacrifice of more adequate benefits.

"I hope that the present situation will enable us to use some of these reserves to provide more adequate insurance so that any dislocations as a result of the defense program can be minimized. Sufficient funds are available and the administrative machinery of the state compensation agencies and the local employment offices now is adequate." W.T.C.

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BUSINESS WEEK

With Which Is Combined The Magazine of Business

August 17, 1940

Unemployment Funds Need Employment

THE TIME HAS COME to do something about unemployment insurance. Month after month cash piles up in Washington to the credit of individual state reserve funds, and therewith drops out of active circulation. In the year ended June 30, for instance, the 48 states and the District of Columbia collected \$850,000,000. They paid out in benefits only \$480,000,000. So \$370,000,000 piled up in the reserve funds—\$370,000,000 of pent-up purchasing power.

Nor is that period exceptional. The table on page 38 shows that ever since states began paying benefits to unemployed workers, they have collected \$1 for every 65¢ disbursed. Yet, long before states began paying benefits, they started collecting. So their record in generosity is even less than 65¢ on the dollar. Out of every dollar received, they've paid out in benefits only 39¢.

As a result, the total in the combined state reserve funds look like a Chase National Bank statement. As of June 30, aggregate reserves amounted to \$1,700,000,000, or one and one-half times total benefits paid out to that date. And some states are so far ahead of their disbursements that only a deep and prolonged depression would serve to reduce their reserves to zero. Wisconsin, for example, without collecting another cent in taxes, could go on paying benefits at its recent annual rate for 13 years. The reserve fund of Texas would stand up under current benefits for five years without new contributions; Delaware's fund would last for 7.7 years; and California's reserve would hold out for nearly three years.

EVEN STATES whose benefits have run ahead of disbursements are fairly well-heeled with reserves. Since it began paying benefits, Idaho has disbursed \$1.16 for every dollar collected; but its reserve fund is good for 1.4 years without cash addition. Montana has paid out \$1.10 for each current dollar collected, yet its reserve fund could continue recent disbursements for two years. And even industrialized Michigan, whose fund took a beating in 1938, could pay out for nearly two years on reserves alone.

In a period of expanding employment, such as the present, the danger of insolvency of reserve funds is remote. In fact the real danger is the reverse—that reserve accounts will become bloated at a faster rate. For by any practical standards—ratio of current disbursements to receipts, or probable drain on state funds—current reserves are excessive.

These enormous accumulations depart from the original intention of the unemployment insurance law.

It was never contemplated that funds would be built up to take care of workers during a severe depression of the 1929-33 type. At best, unemployment insurance was looked upon as a stop-gap—a temporary economic alleviator. But now, instead of adding to over-all purchasing power, unemployment insurance works the other way. It lays a heavy hand on production costs without in any way offering an offset in the form of higher purchasing power. For obviously employers have to include the contributions they pay into the prices they charge for their goods and services. That means then that the nation at large pays the taxes; but there is no compensatory restoration of these taxes to purchasing power in the form of benefit payments. Thus, unemployment insurance—as now set up—is deflationary.

THE way out is to expand benefits; cut taxes; or both. In some states, minimum payments of as little as \$2 or \$3 a week are legal; the usual duration of benefits is for 13 weeks, and little or no attempt is made in the state laws to pay benefits on the basis of family needs. Rather, payments are based on earnings, so that high wage-earners (who have had a better chance to save for a rainy day) get more generous payments than low wage-earners. Thus it would not be hard to find ways of liberalizing benefits—and in so doing remove some of the reserve fat.

Or by going to the credit side of the ledger and sponsoring a flat reduction in the minimum tax rate, the government could get the reserve funds under control. Since benefits, as now constituted, hardly qualify as substantial protection for workers during periods of unemployment, current tax rates only serve to build up reserves which are unlikely to be used. This foists a useless cost on our economy.

Indeed, with a \$370,000,000 annual margin, it is possible both to reduce taxes and to liberalize benefits.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Night Tel. MEdallion 3-0731. Price 20¢. Subscription: \$5.00 a year, U. S. A., possessions, and Canada. Other foreign, \$7.50. Cable code McGrawhill.

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